

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2001

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Felix P. Camacho
Governor
Government of Guam:

We have audited the general purpose financial statements of the Government of Guam as of and for the year ended September 30, 2001, and have issued our report thereon dated October 31, 2002 (except for a note as to which the date is December 8, 2002), which report was qualified due to our inability to access tax related records; the incomplete inclusion of the Department of Education within the general fund; the incomplete presentation of the General Fixed Assets Account Group; the incomplete presentation of the General Long-Term Debt Account Group; the lack of audited financial statements of the Tourist Attraction Fund, the Territorial Highway Fund, the Port Authority of Guam (PAG) – a Component Unit – Proprietary Fund, Guam Telephone Authority - a Component Unit – Proprietary Fund, Guam Waterworks Authority – a Component Unit – Proprietary Fund, and the Guam Memorial Hospital Authority - a Component Unit – Proprietary Fund; the omission of the Pension Trust Fund; the Guam Council on the Arts and Humanities Agency (CAHA), a Special Revenue Fund; the Guam Community College, a Higher Education Fund; and the Guam Visitors Bureau (GVB), a Component Unit – Proprietary Fund; and our inability to determine the propriety of the General Fund reserve for continuing appropriations and of the inventory balance for the State Surplus Agency – an Internal Service Fund – Proprietary Fund. 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.

Compliance

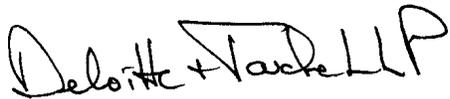
As part of obtaining reasonable assurance about whether the Government of Guam's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 30 through 132) as items 2001-04, 2001-08, 2001-21, 2001-52, 2001-62, 2001-63, 2001-93, 2001-95, 2001-96, 2001-97, 2001-99, 2001-100 through 2001-103, and 2001-107.

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 assurance 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 items 2001-01 through 2001-04, 2001-07 through 2001-10, 2001-13, 2001-15 through 2001-20, 2001-23, 2001-24, 2001-25, 2001-27, 2001-28, 2001-30, 2001-31, 2001-37, 2001-41, 2001-42, 2001-47, 2001-50, 2001-54, 2001-56, 2001-57, and 2001-60 through 2001-109.

A material weakness is a 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 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, of the reportable conditions described above, we consider items 2001-08, 2001-37, 2001-60, 2001-63, 2001-64, 2001-65, 2001-67, 2001-68, 2001-73, 2001-79, 2001-82, 2001-83, 2001-86, 2001-87, 2001-88, 2001-90 through 2001-94, and 2001-104 to be material weaknesses.

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



October 31, 2002



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, 2001. 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 30 through 132). 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 on the Government of Guam's compliance with those requirements.

As described in items 2001-01, 2001-04, 2001-08, 2001-10, 2001-16, 2001-18, 2001-21, 2001-22, 2001-32 through 2001-36, 2001-38 through 2001-40, 2001-42 through 2001-46, 2001-48 through 2001-55, 2001-59, 2001-62, 2001-63, and 2001-65 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, or earmarking; period of availability of Federal funds; procurement and suspension and debarment; reporting; subrecipient monitoring; and special tests and provisions that are applicable to its major federal programs described in the accompanying Schedule of Major Federal Award Programs (page 28). 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, 2001.

Internal Control Over Compliance

The management of the Government of Guam is responsible for establishing and maintaining effective internal control over compliance with 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.

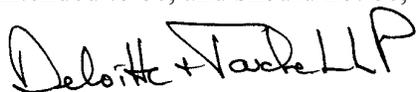
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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 items 2001-01 through 2001-13, 2001-15 through 2001-65, 2001-89 and 2001-109.

A material weakness is a 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 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 items 2001-01, 2001-03, 2001-07, 2001-08, 2001-09, 2001-18, 2001-21, 2001-22, 2001-23, 2001-24, 2001-30, 2001-31, 2001-37, 2001-41, 2001-50, 2001-52, 2001-56, 2001-57, 2001-60, and 2001-62 through 2001-65 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Government of Guam as of and for the year ended September 30, 2001, and have issued our report thereon dated October 31, 2002 (except for a note as to which the date is December 8, 2002), which report was qualified due to our inability to access tax related records; the incomplete inclusion of the Department of Education within the general fund; the incomplete presentation of the General Fixed Assets Account Group; the incomplete presentation of the General Long-Term Debt Account Group; the lack of audited financial statements of the Tourist Attraction Fund, the Territorial Highway Fund, the Port Authority of Guam (PAG) – a Component Unit – Proprietary Fund, Guam Telephone Authority - a Component Unit – Proprietary Fund, Guam Waterworks Authority – a Component Unit – Proprietary Fund, and the Guam Memorial Hospital Authority - a Component Unit – Proprietary Fund; the omission of the Pension Trust Fund; the Guam Council on the Arts and Humanities Agency (CAHA), a Special Revenue Fund; the Guam Community College, a Higher Education Fund; and the Guam Visitors Bureau (GVB), a Component Unit – Proprietary Fund; and our inability to determine the propriety of the General Fund reserve for continuing appropriations and of the inventory balance for the State Surplus Agency – an Internal Service Fund – Proprietary Fund. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 24) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose 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 general purpose financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

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



October 31, 2002

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2001

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. Department of Agriculture	\$ 3,833,374	\$ 40,891,826	\$ 43,907,567	\$ 6,849,115
U.S. Department of Commerce	1,041,248	374,450	548,067	1,214,865
U.S. Department of Defense	2,249,887	98,588	1,283,914	3,435,213
U.S. Department of Housing and Urban Development	278,833	(487)	-	279,320
U.S. Department of the Interior	3,018,869	17,505,181	18,680,326	4,194,014
U.S. Department of Justice	3,754,913	3,183,669	3,688,255	4,259,499
U.S. Department of Labor	2,300,990	2,828,998	3,298,935	2,770,927
U.S. Department of Transportation	5,946,426	16,976,824	15,481,904	4,451,506
National Foundation on the Arts and the Humanities	332,450	750,885	732,734	314,299
U.S. Environmental Protection Agency	1,802,034	4,160,538	3,871,030	1,512,526
U.S. Department of Energy	348,591	325,161	136,040	159,470
Federal Emergency Management Agency	7,790,183	11,260,690	8,865,938	5,395,431
U.S. Department of Education	4,222,062	1,042,227	2,102,441	5,282,276
U.S. Department of Health and Human Services	17,181,423	79,749,646	67,266,261	4,698,038
Corporation for National and Community Service	387,044	61,440	257,581	583,185
Social Security Administration	(1,346,001)	-	120,308	(1,225,693)
GRAND TOTAL	\$ 53,142,326	\$ 179,209,636	\$ 170,241,301	\$ 44,173,991

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

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
U.S. DEPARTMENT OF AGRICULTURE					
10.072	Wetlands Reserve Program	\$ 891	\$ -	\$ -	\$ 891
10.156	Federal-State Marketing Improvement Program	5,639	-	-	5,639
10.200	Grants for Agricultural Research, Special Research Grants	-	-	19,938	19,938
10.551	Food Stamps	-	37,172,872	37,172,872	-
10.557	Special Supplemental Food Program for Women, Infants and Children	3,035,590	1,014,741	4,388,031	6,408,880
10.560	State Administrative Expenses for Child Nutrition	(852,156)	(852,156)	-	-
10.561	State Administrative Matching Grant for Food Stamp Program	1,016,410	3,445,710	1,702,007	(727,293)
10.572	WIC Farmers' Market Nutrition Program (FMNP)	116,868	(104,035)	16,425	237,328
10.664	Cooperative Forestry Assistance	510,895	215,680	564,370	859,585
10.769	Rural Development Grants	224	1	43,924	44,147
10.960	Technical Agricultural Assistance	(987)	(987)	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ <u>3,833,374</u>	\$ <u>40,891,826</u>	\$ <u>43,907,567</u>	\$ <u>6,849,115</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. DEPARTMENT OF COMMERCE					
11.001	Census Bureau Data Products	\$ 28,988	\$ 1	\$ 1,428	\$ 30,415
11.004	Census Intergovernmental Services	(1,326)	(1,326)	-	-
11.300	Economic Development-Grants for Public Works & Development Facilities	(13,867)	(13,867)	-	-
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	57,423	-	19,038	76,461
11.407	Interjurisdictional Fisheries Act of 1986	8,385	3,185	8,682	13,882
11.419	Coastal Zone Management Administration Awards	844,887	391,149	437,254	890,992
11.427	Fisheries Development & Utilization Research and Development Grants and Cooperative Agreements Program	(4,692)	(4,692)	-	-
11.437	Pacific Fisheries Data Program	121,450	-	81,665	203,115
U.S. DEPARTMENT OF COMMERCE TOTAL		<u>\$ 1,041,248</u>	<u>\$ 374,450</u>	<u>\$ 548,067</u>	<u>\$ 1,214,865</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
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)	558,844	(239)	263,519	822,602
12.400	Military Construction, National Guard	799,580	-	-	799,580
12.401	National Guard Military Operations and Maintenance (O&M) Projects	1,050,198	257,562	1,020,395	1,813,031
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 2,249,887</u>	<u>\$ 98,588</u>	<u>\$ 1,283,914</u>	<u>\$ 3,435,213</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
14.225	Community Development Block Grants/Special Purpose	\$ 279,320	\$ -	\$ -	\$ 279,320
14.854	Public and Indian Housing Drug Elimination Program	(487)	(487)	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL					
		<u>\$ 278,833</u>	<u>\$ (487)</u>	<u>\$ -</u>	<u>\$ 279,320</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. DEPARTMENT OF THE INTERIOR					
15.601	Guam Fish Sport Development	\$ 73,405	\$ -	\$ -	\$ 73,405
15.605	Sport Fish Restoration	550,080	1,288,416	609,794	(128,542)
15.611	Wildlife Restoration	129,838	24,465	212,706	318,079
15.612	Endangered Species Conservation	227,207	699,744	387,537	(85,000)
15.616	Clean Vessel Act	98	80,451	52,367	(27,986)
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	1,953,223	15,346,568	17,275,997	3,882,652
15.904	Historic Preservation Fund Grants-In-Aid	62,117	65,537	141,925	138,505
15.916	Outdoor Recreation - Acquisition, Development & Planning (Land and Water Conservation Fund Grants)	22,901	-	-	22,901
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 3,018,869</u>	<u>\$ 17,505,181</u>	<u>\$ 18,680,326</u>	<u>\$ 4,194,014</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. DEPARTMENT OF JUSTICE					
16.000	Construction of Hagatna Territorial Detention Facility	\$ 20	\$ -	\$ 39,545	\$ 39,565
16.523	Juvenile Accountability Incentive Block Grants	542,098	210,287	818,314	1,150,125
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	185,393	4,588	-	180,805
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	93,918	17,181	98,350	175,087
16.548	Title V - Delinquency Prevention Program	22,587	40,104	82,417	64,900
16.549	Part E - State Challenge Activities	19,322	4,063	8,112	23,371
16.554	National Criminal History Improvement Program (NCHIP)	195,473	-	-	195,473
16.555	National Sex Offender Registry Grant	-	-	-	-
16.575	Crime Victim Assistance	355,462	38,288	303,347	620,521
16.579	Byrne Formula Grant Program	1,401,907	1,191,355	666,252	876,804
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(561,954)	266,686	20,314	(808,326)
16.585	Drug Court Discretionary Grant Program	-	-	-	-
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	38,700	(1)	94,688	133,389
16.588	Violence Against Women Formula Grants	745,740	1,012,365	416,172	149,547
16.589	Rural Domestic Violence and Child Victimization	17,997	-	-	17,997
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	-	-	1,973	1,973
16.592	Local Law Enforcement Block Grants Program	(33,787)	224	-	(34,011)
16.593	Residential Substance Abuse Treatment for State Prisoners	94,964	(658)	7,978	103,600
16.606	State Criminal Alien Assistance Program	(8,342)	23,700	39,140	7,098
16.710	Public Safety Partnership and Community Policing Grants	645,415	375,487	1,091,653	1,361,581
U.S. DEPARTMENT OF JUSTICE TOTAL		<u>\$ 3,754,913</u>	<u>\$ 3,183,669</u>	<u>\$ 3,688,255</u>	<u>\$ 4,259,499</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ (4,832)	\$ -	\$ 19,692	\$ 14,860
17.005	Compensation and Working Conditions Data	12,921	37,767	34,674	9,828
17.203	Labor Certification for Alien Workers	42,490	22,528	82,653	102,615
17.207	Employment Service	750,392	240,783	910,174	1,419,783
17.235	Senior Community Service Employment Program	371,211	1,027,218	846,342	190,335
17.250	Job Training Partnership Act	584,592	609,934	824,068	798,726
17.253	Welfare-to-Work Grants to States and Localities	311,255	526,214	284,579	69,620
17.500	Occupational Safety & Health	71,325	91,998	90,899	70,226
17.503	Occupational Safety & Health - State Program	4,679	-	-	4,679
17.504	Consultation Agreements	156,957	272,556	205,854	90,255
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 2,300,990</u>	<u>\$ 2,828,998</u>	<u>\$ 3,298,935</u>	<u>\$ 2,770,927</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
U.S. DEPARTMENT OF TRANSPORTATION					
20.005	Boating Safety Financial Assistance	\$ 278,592	\$ 29,772	\$ 210,455	\$ 459,275
20.205	Highway Planning & Construction	4,948,484	16,559,229	14,237,903	2,627,158
20.218	Motor Carrier Safety Assistance Program	292,510	(1)	321,244	613,755
20.509	Formula Grants for Other Than Urbanized Areas	-	387,824	443,192	55,368
20.600	State & Community Highway Safety	407,691	-	223,924	631,615
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants (HMTA Training and Planning Grants)	19,149	-	45,186	64,335
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 5,946,426</u>	<u>\$ 16,976,824</u>	<u>\$ 15,481,904</u>	<u>\$ 4,451,506</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2000	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2001
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 286,935	\$ 747,200	\$ 638,052	\$ 177,787
45.301	Institute of Museum and Library Services	7,658	-	-	7,658
45.310	State Library Program	<u>37,857</u>	<u>3,685</u>	<u>94,682</u>	<u>128,854</u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 332,450</u>	<u>\$ 750,885</u>	<u>\$ 732,734</u>	<u>\$ 314,299</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.458	Capitalization Grants for State Revolving Funds	\$ -	\$ 793,522	\$ 1,040,256	\$ 246,734
66.600	Environmental Protection Consolidated Grants - Program Support	1,793,273	3,366,980	2,830,642	1,256,935
66.810	CEPP Technical Assistance Grants Program	8,761	36	132	8,857
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 1,802,034</u>	<u>\$ 4,160,538</u>	<u>\$ 3,871,030</u>	<u>\$ 1,512,526</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 1999</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 348,591	\$ 325,161	\$ 136,040	\$ 159,470
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 348,591</u>	<u>\$ 325,161</u>	<u>\$ 136,040</u>	<u>\$ 159,470</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY					
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986 (SARA Title III Training Program)	\$ 11,771	\$ -	\$ -	\$ 11,771
83.503	Civil Defense-State & Local Emergency Management Assistance	37,710	-	-	37,710
83.505	State Disaster Preparedness Grants	37,395	-	-	37,395
83.519	Hazard Mitigation Assistance	(69,601)	(69,601)	-	-
83.520	Hurricane Program	23,738	-	-	23,738
83.528	Emergency Management Institute - Field Training Program	119	-	-	119
83.534	Emergency Management - State and Local Assistance	67,397	1	11	67,407
83.535	Mitigation Assistance	(16,865)	(16,865)	-	-
83.541	Disaster Unemployment Assistance	36,535	-	-	36,535
83.542	Fire Suppression Assistance	1,926	-	-	1,926
83.544	Public Assistance Grants	4,068,691	8,065,533	5,401,394	1,404,552
83.548	Hazard Mitigation Grant	3,409,256	3,170,248	3,117,673	3,356,681
83.552	Emergency Management Performance Grants	182,111	111,374	346,860	417,597
FEDERAL EMERGENCY MANAGEMENT AGENCY					
TOTAL					
		<u>\$ 7,790,183</u>	<u>\$ 11,260,690</u>	<u>\$ 8,865,938</u>	<u>\$ 5,395,431</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
U.S. DEPARTMENT OF EDUCATION					
84.003	Bilingual Education	\$ 304	\$ -	\$ -	\$ 304
84.009	Education of Handicapped Children in State Operated or Supported Schools	111,592	-	-	111,592
84.027	Special Education - Grants to States	(571,511)	(571,511)	-	-
84.029	Special Education - Personnel Development and Parent Training	(65)	(65)	-	-
84.034	Public Library Services (LSCA - Title I)	8,085	-	-	8,085
84.035	Interlibrary Cooperation and Resource Sharing (LSCA - Title III)	1,832	-	-	1,832
84.041	Impact Aid	-	-	387,758	387,758
84.053	Vocational Education - State Councils	2,104	-	-	2,104
84.073	National Diffusion Network (NDN)	204	-	-	204
84.124	Territorial Teacher Training Assistance Program	4,355	-	-	4,355
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	2,897,784	1,546,328	1,194,088	2,545,544
84.154	Public Library Construction and Technology Enhancement	1,030	67,476	134,952	68,506
	BALANCE FORWARD	<u>\$ 2,455,714</u>	<u>\$ 1,042,228</u>	<u>\$ 1,716,798</u>	<u>\$ 3,130,284</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	U.S. DEPARTMENT OF EDUCATION BALANCE FORWARD	\$ 2,455,714	\$ 1,042,228	\$ 1,716,798	\$ 3,130,284
84.998	Consolidated Grant	881,914	-	-	881,914
84.161	Rehabilitation Services - Client Assistance Program (CAP)	12,212	-	-	12,212
84.169	Independent Living - State Grants	22,801	-	12,381	35,182
84.173	Special Education - Preschool Grants	15,571	-	-	15,571
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	135,905	-	52,611	188,516
84.181	Special Education - Grants for Infants and Families with Disabilities (Early Intervention Grants)	32,272	-	-	32,272
84.186	Safe and Drug-Free Schools and Communities - State Grants	656,140	(1)	320,651	976,792
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	9,533	-	-	9,533
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 4,222,062</u>	<u>\$ 1,042,227</u>	<u>\$ 2,102,441</u>	<u>\$ 5,282,276</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.000	Cost Pool Allocation Accounts	\$ 1,046,682	\$ 2,527,920	\$ 1,481,238	\$ -
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	9,803	6,099	1,440	5,144
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	-	-	18,970	18,970
93.043	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services (State Grants for Disease Prevention and Health Promotion)	75,302	74,959	58,933	59,276
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	3,779,506	8,529,120	4,749,614	-
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	989,517	4,182,535	3,193,018	-
93.052	Nation Family Caregiver Support Program	-	91,925	367,700	275,775
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	22,480	19,748	18,914	21,646
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	61,010	309,223	361,649	113,436
93.127	Emergency Medical Services for Children (EMS for Children)	28,559	86,644	111,586	53,501
93.150	Projects for Assistance in Transition from Homelessness (PATH)	42,428	-	9,179	51,607
93.163	Community Health Centers	51,428	51,428	-	-
93.188	Special Project Grants to Schools of Public Health	1,444	-	-	1,444
93.217	Family Planning - Services	162,173	79,672	197,929	280,430
93.224	Community Health Centers	205,715	463,078	257,363	-
93.235	Abstinence Education	16,497	4,300	16,940	29,137
93.268	Immunization Grants	207,458	9,168	224,151	422,441
	BALANCE FORWARD	\$ 6,700,002	\$ 16,435,819	\$ 11,068,624	\$ 1,332,807

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 6,700,002	\$ 16,435,819	\$ 11,068,624	\$ 1,332,807
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	37,644	15,688	140,668	162,624
93.399	Cancer Control	-	-	4,708	4,708
93.556	Family Preservation and Support Services	253,127	352,013	168,720	69,834
93.558	Temporary Assistance for Needy Families	(2,988,744)	27,126,572	28,618,178	(1,497,138)
93.560	Family Support Payments to States: Assistance Payments (AFDC)	22	-	-	22
93.563	Child Support Enforcement	1,731,911	8,146,600	6,747,151	332,462
93.575	Child Care and Development Block Grant	459,500	3,358,311	3,110,073	211,262
93.597	Grants to States for Access and Visitation Programs	-	-	56,913	56,913
93.600	Head Start	47	-	-	47
93.630	Developmental Disabilities Basic Support and Advocacy Grants	185,318	82,647	167,772	270,443
93.631	Developmental Disabilities Projects of National Significance	-	-	60,041	60,041
93.667	Social Services Block Grant	1,622,158	2,639,560	1,640,296	622,894
93.778	Medical Assistance Program (Medicaid; Title XIX)	7,465,193	20,649,137	13,270,745	86,801
93.917	HIV Care Formula Grants	(37,703)	1	20,678	(17,026)
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	57,746	3,398	152,185	206,533
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	118,382	148,062	222,828	193,148
93.945	Assistance Program for Chronic Disease Prevention and Control	(1,725)	1,434	-	(3,159)
	BALANCE FORWARD	<u>\$ 15,602,878</u>	<u>\$ 78,959,242</u>	<u>\$ 65,449,580</u>	<u>\$ 2,093,216</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 15,602,878	\$ 78,959,242	\$ 65,449,580	\$ 2,093,216
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	80,028	28,342	115,521	167,207
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	421,253	218,713	669,886	872,426
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	118,273	86,187	65,771	97,857
93.982	Mental Health Disaster Assistance and Emergency Mental Health (Mental Health Disaster Assistance)	(9,473)	(9,473)	-	-
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	121,711	10,716	118,395	229,390
93.991	Preventive Health and Health Services Block Grant	358,149	4,185	148,055	502,019
93.994	Maternal and Child Health Services Block Grant to the States	<u>488,604</u>	<u>451,734</u>	<u>699,053</u>	<u>735,923</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 17,181,423</u>	<u>\$ 79,749,646</u>	<u>\$ 67,266,261</u>	<u>\$ 4,698,038</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ 382,973	\$ 61,440	\$ 257,581	\$ 579,114
94.009	Training and Technical Assistance	4,071	-	-	4,071
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 387,044</u>	<u>\$ 61,440</u>	<u>\$ 257,581</u>	<u>\$ 583,185</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Accrued (Deferred) Balance at September 30, 2000</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Balance at September 30, 2001</u>
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ <u>(1,346,001)</u>	\$ <u>-</u>	\$ <u>120,308</u>	\$ <u>(1,225,693)</u>
	SOCIAL SECURITY ADMINISTRATION TOTAL	\$ <u>(1,346,001)</u>	\$ <u>-</u>	\$ <u>120,308</u>	\$ <u>(1,225,693)</u>
	GRAND TOTAL	\$ <u>53,142,326</u>	\$ <u>179,209,636</u>	\$ <u>170,241,301</u>	\$ <u>44,173,991</u>

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2001

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:

Schedules of Expenditures of Federal Awards are presented for 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 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
- Federal Emergency Management Agency
- National Foundation on the Arts and the Humanities
- Social Security Administration

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. Cash receipts do not include matching funds from the Government of Guam or 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 expenses 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 the dollar value of food stamp coupons issued during the period.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2001

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.

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 2001 grant programs are based on 2001 actual expenditures and caseloads. The indirect cost rate is derived by dividing the total indirect costs by the total direct wages expended in fiscal year 1999. The indirect cost negotiation agreement is established at varying rates for various departments and agencies of the Government of Guam.

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 and certain component units of the Government of Guam (see also note 5). It does not include the following component units of the Government of Guam:

- Guam International Airport Authority
- Guam Housing Corporation
- Guam Visitors Bureau
- Guam Power Authority
- Guam Rental Corporation
- Guam Economic Development Authority
- Guam Telephone Authority
- Port Authority of Guam
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Community College
- University of Guam
- Guam Memorial Hospital Authority

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements of OMB Circular A-133.

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.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2001

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, and loans. For the year ended September 30, 2001, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Coupons issued and redeemed	\$ <u>37,172,872</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>37,172,872</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$7,403,409 at September 30, 2001.

5. Component Units:

Two component units have opted to satisfy the audit requirements of OMB Circular A-133 by inclusion in the Government of Guam's compliance audit, and their Federal expenditures have been included in the Government of Guam's Schedule of Expenditures of Federal Awards. These component units receive funds either directly from the Federal awarding agency and/or passed through the Government of Guam, as follows:

	<u>Expenditures For the Year Ended September 30, 2001</u>
Guam Mass Transit Authority:	
Direct from U. S. Department of Transportation	
CFDA # 20.509 Formula Grants for Other Than Urbanized Areas	\$ 443,192
Guam Waterworks Authority:	
Direct from U. S. Environmental Protection Agency	
CFDA # 66.458 Capitalization Grants for State Revolving Funds	\$ 1,040,256
Pass Through from Department of Administration	
Government of Guam:	
CFDA # 15.875 Economic, Social and Political Development of the Territories and the Freely Associated States	3,151,343
CFDA # 83.548 Hazard Mitigation Grants	276,418

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 2001

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

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2001 Expenditures</u>
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 4,388,031
U.S. Department of Defense	12.401	National Guard Military Operations and Maintenance (O&M) Projects	1,020,395
U.S. Department of the Interior	15.605	Sport Fish Restoration	609,794
	15.611	Wildlife Restoration	212,706
	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	17,275,997
U.S. Department of Transportation	20.005	Boating Safety Financial Assistance	210,455
	20.205	Highway Planning and Construction	14,237,903
U.S Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	2,830,642
Federal Emergency Management Agency	83.544	Public Assistance Grants	5,401,394
	83.548	Hazard Mitigation Grants	3,117,673
U.S. Department of Education	84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	1,194,088
U.S. Department of Health and Human Services	93.000	Cost Pool Allocation Accounts	1,481,238
	93.558	Temporary Assistance for Needy Families	28,618,178
	93.563	Child Support Enforcement (CSE)	6,747,151
	93.575	Child Care and Development Fund	3,110,073
	93.667	Social Services Block Grant (SSBG)	1,640,296
	93.778	Medical Assistance Program (Medicaid)	<u>13,270,745</u>
Total Federal Programs selected for audit			\$ <u>105,366,759</u>
Total Federal Awards program expenditures			\$ <u>170,241,301</u>
Percentage of Federal Awards Programs tested			<u>62%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
General Purpose Financial Statements
Year Ended September 30, 2001

		Fiscal Year 2001 <u>Expenditures</u>
Federal contributions, as reported in the 2001 financial statements:		
	Federal grants assistance fund, expenditures, transfers out, and other uses	\$ 131,231,120
<u>CFDA #</u>		
10.551	Food Stamps	37,172,872
93.224	Community Health Centers	257,363
20.509	Guam Mass Transit Authority (GMTA): Formula Grants for Other Than Urbanized Areas	443,192*
66.458	Guam Waterworks Authority (GWA): Capitalization Grants for State Revolving Funds	1,040,256*
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	246,071**
	Other unidentified expenditures	<u>(149,573)</u>
	Total Federal Expenditures Subject to Audit	\$ <u>170,241,301</u>

* These expenditures relate solely to the portion of program expenditures incurred by the component unit or line agency.

** Total program expenditures differ from reconciling amounts herein due to balances already recorded by the Department of Administration (DOA), as follows:

<u>Agency</u>	<u>CFDA#</u>	<u>Total Program Expenditures Per Agency</u>	<u>Portion of Expenditures Also Recorded by DOA</u>	<u>Portion of Expenditures Incurred Solely by Agency</u>
GWA	15.875	\$ <u>3,151,343</u>	\$ <u>2,905,272</u>	\$ <u>246,071</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2001

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were 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:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Fish and Wildlife Cluster:	
Sport Fish Restoration	15.605
Wildlife Restoration	15.611
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
Boating Safety Financial Assistance	20.005
Highway Planning and Construction	20.205
Environmental Protection Consolidated Grants: Program Support	66.600
Public Assistance Grants	83.544
Hazard Mitigation Grants	83.548
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126
Cost Pool Allocation Accounts	93.000
Temporary Assistance for Needy Families	93.558
Child Support Enforcement (CSE)	93.563
Child Care and Development Fund	93.575
Social Services Block Grant (SSBG)	93.667
Medical Assistance Program (Medicaid)	93.778

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, 2001

Part II – Financial Statement Findings Section

Reference Number	Findings	Questioned Costs	Guam Agency
2001-01	Period of Availability	\$ 139,749	DOA, DMA
2001-02	Allowable Costs/Cost Principles	\$ 16,165	DOA, DMA
2001-03	Procurement and Suspension and Debarment	\$ 61,712	GSA, DOAg
2001-04	Special Tests and Provisions – Assent Legislation and Diversion of License Fees	\$ -	DOAg, Legislature
2001-07	Allowable Costs/Cost Principles	\$ 277,702	DOA, DOAg
2001-08	Allowable Costs/Cost Principles	\$3,881,759	BBMR, OG
2001-09	Procurement and Suspension and Debarment	\$ 378,178	GSA, Various
2001-10	Allowable Costs/Cost Principles	\$ -	DRT
2001-13	Allowable Costs/Cost Principles	\$ 2,639	DOA, Various
2001-15	Procurement and Suspension and Debarment	\$ 36,498	DPW
2001-16	Special Tests and Provisions	\$ -	GEPA, DOA
2001-17	Allowable Costs/Cost Principles	\$ 128,752	DOA, GEPA
2001-18	Procurement and Suspension and Debarment	\$ 64,102	GSA, GEPA
2001-19	Allowable Costs/Cost Principles	\$ 30,053	DOA, GEPA
2001-20	Procurement and Suspension and Debarment	\$ 46,800	GSA, DPW, RCO
2001-21	Special Tests and Provisions – 44 CFR 13.26	\$2,458,357	RCO
2001-23	Procurement and Suspension and Debarment	\$ 182,889	GSA, DPW, RCO
2001-24	Allowable Costs/Cost Principle – 44CFR13.42 Records Retention	\$ 145,150	DOA, RCO
2001-25	Period of Availability	\$ -	DOA, DISID
2001-27	Allowable Costs/Cost Principles	\$ 20,699	DOA, DISID
2001-28	Procurement and Suspension and Debarment	\$ 32,683	GSA, DISID
2001-30	Allowable Costs/Cost Principles	\$ 11,312	DOA, DPHSS
2001-31	Procurement and Suspension and Debarment	\$ 28,726	GSA, DPHSS
2001-37	Allowable Costs/Cost Principles – Records Retention	\$ 543,972	DOA, DPHSS
2001-41	Procurement and Suspension and Debarment	\$ 103,593	GSA, Law
2001-42	Allowable Costs/Cost Principles	\$ 45,497	DOA, Law
2001-47	Allowable Costs/Cost Principles	\$ 46,071	DOA, Law
2001-50	Period of Availability	\$ 65,185	DOA, DPHSS
2001-52	Earmarking	\$ 568,421	DPHSS
2001-54	Period of Availability	\$ 21,826	DOA, DPHSS
2001-56	Procurement and Suspension and Debarment	\$ 27,160	GSA, DPHSS
2001-57	Allowable Costs/Cost Principles	\$ 40,879	DOA, DPHSS
2001-60	Allowable Costs/Cost Principles – Records Retention	\$ 464,242	DOA, DPHSS
2001-61	Fund 201 – Inventory	\$ -	DOA
2001-62	Subrecipient monitoring	\$ -	All
2001-63	Equipment management	\$ -	All
2001-64	Cash	\$ -	DOA
2001-65	Cash Management	\$ -	DOA
2001-66	Debt Service Funds – All Funds	\$ -	DOA
2001-67	Enterprise Fund – Accounts Receivable	\$ -	DPW
2001-68	General Fund – Accounts Payable and Other Liabilities	\$ -	DOA
2001-69	Child Support Liability	\$ -	DOA, Law

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Part II – Financial Statement Findings Section, Continued

Reference <u>Number</u>	<u>Findings</u>	Questioned <u>Costs</u>	<u>Guam Agency</u>
2001-70	General Fund – Accounts Payable and Other Liabilities	\$ -	DOA
2001-71	General Fund – Accounts Payable and Other Liabilities	\$ -	DOA, Law
2001-72	General Fund – Accounts Payable and Other Liabilities	\$ -	DOA, Legislature
2001-73	General Fund – Other Accrued Expenditures	\$ -	DOA
2001-74	General Fund – Other Accrued Expenditures	\$ -	DOA
2001-75	General Fund – Accounts Payable	\$ -	DOA
2001-76	General Fund – Cash	\$ -	DOA
2001-77	General Fund – Cash	\$ -	DOA
2001-78	General Fund – Cash	\$ -	DOA
2001-79	General Fund – Cash	\$ -	DOA
2001-80	General Fund – Cash	\$ -	DOA
2001-81	General Fund – Cash	\$ -	DOA
2001-82	General Fund – Cash	\$ -	DOA
2001-83	Outstanding Encumbrances	\$ -	DOA
2001-84	Outstanding Encumbrances	\$ -	DOA
2001-85	General Fund – Other Receivable	\$ -	DOA
2001-86	General Fund – Other Receivable	\$ -	DOA
2001-87	General Fund – Other Receivable	\$ -	DOA
2001-88	General Fund – Other Receivable	\$ -	DOA, DRT
2001-89	General Fund – Other Receivable	\$ -	DOA
2001-90	Taxes Receivable	\$ -	DOA, DRT
2001-91	Taxes Receivable	\$ -	DRT
2001-92	Taxes Receivable	\$ -	DRT
2001-93	Taxes Receivable	\$ -	DOA
2001-94	General Fund– Appropriations and Encumbrances	\$ -	DOA
2001-95	General Fund– Compliance	\$ -	DOA
2001-96	Fund 245 – Procurement	\$ -	Mayors
2001-97	Fund 255 – Proceeds	\$ -	Mayors
2001-98	Fund 303 – CIP Accrued Expenses	\$ -	DOA
2001-99	Fund 303 – CIP Expenditures	\$ -	DOA
2001-100	Fund 303 – CIP Appropriations Compliance	\$ -	DOA, GWA
2001-101	Fund 405 - GOB 1993 Series A	\$ -	DOA
2001-102	Fund 505 – Procurement Procedures	\$ -	Superior Ct
2001-103	Fund 505 – Issuance of Form 1099	\$ -	Superior Ct
2001-104	Fund 702 – Internal Service Fund – State Agency Surplus Fund	\$ -	GSA, All
2001-105	Fund 703 – Internal Service Fund – Inventory	\$ -	GSA
2001-106	Test of Controls - Travel	\$ -	DOA
2001-107	Test of Controls - Travel	\$ -	DOA
2001-108	Test of Controls - Travel	\$ -	DOA
2001-109	Federal Funds Availability	\$ -	DOA, DISID, DPHSS

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Part III - Federal Award Findings and Questioned Cost Section

Reference Number	CFDA Number	Findings	Questioned Costs	Guam Agency
2001-01	12.401	Period of Availability	\$ 139,749	DOA, DMA
2001-02	12.401	Allowable Costs/Cost Principles	\$ 16,165	DOA, DMA
2001-03	15.605/15.611	Procurement and Suspension and Debarment	\$ 61,712	GSA, DOAg
2001-04	15.605/15.611	Special Tests and Provisions – Assent Legislation and Diversion of License Fees	\$ -	DOAg, Legislature
2001-05	15.605/15.611	Reporting	\$ -	DOAg
2001-06	15.605/15.611	Earmarking	\$ -	DOAg
2001-07	15.605/15.611	Allowable Costs/Cost Principles	\$ 277,702	DOA, DOAg
2001-08	15.875	Allowable Costs/Cost Principles	\$3,881,759	BBMR, OG
2001-09	15.875	Procurement and Suspension and Debarment	\$ 378,178	GSA, Various
2001-10	15.875	Allowable Costs/Cost Principles	\$ -	DRT
2001-11	15.875	Reporting	\$ -	DOA, BBMR
2001-12	15.875	Special Tests and Provisions	\$ -	BBMR
2001-13	15.875	Allowable Costs/Cost Principles	\$ 2,639	DOA, Various
2001-15	20.205	Procurement and Suspension and Debarment	\$ 36,498	DPW
2001-16	66.600	Special Tests and Provisions	\$ -	GEPA, DOA
2001-17	66.600	Allowable Costs/Cost Principles	\$ 128,752	DOA, GEPA
2001-18	66.600	Procurement and Suspension and Debarment	\$ 64,102	GSA, GEPA
2001-19	66.600	Allowable Costs/Cost Principles	\$ 30,053	DOA, GEPA
2001-20	83.544	Procurement and Suspension and Debarment	\$ 46,800	GSA, DPW, RCO
2001-21	83.544	Special Tests and Provisions – 44 CFR 13.26	\$2,458,357	RCO
2001-22	83.548	Special Tests and Provisions – 44 CFR 13.26	\$ -	RCO
2001-23	83.548	Procurement and Suspension and Debarment	\$ 182,889	GSA, DPW, RCO
2001-24	83.548	Allowable Costs/Cost Principle – 44CFR13.42 Records Retention	\$ 145,150	DOA, RCO
2001-25	84.126	Period of Availability	\$ -	DOA, DISID
2001-26	84.126	Special Tests and Provisions - Individualized Plan for Employment (IPE) / Special Tests and Provisions - Comparable Services and Benefits	\$ -	DISID
2001-27	84.126	Allowable Costs/Cost Principles	\$ 20,699	DOA, DISID
2001-28	84.126	Procurement and Suspension and Debarment	\$ 32,683	GSA, DISID
2001-29	84.126	Activities Allowed or Unallowed	\$ 4,475	DISID, DOA
2001-30	93.000	Allowable Costs/Cost Principles	\$ 11,312	DOA, DPHSS
2001-31	93.000	Procurement and Suspension and Debarment	\$ 28,726	GSA, DPHSS
2001-32	93.558	Reporting	\$ -	DOA, DPHSS
2001-33	93.558	Eligibility	\$ -	DPHSS
2001-34	93.558	Special Tests and Provisions – Income Eligibility and Verification System (IEVS)	\$ -	DPHSS
2001-35	93.558	Special Tests and Provisions – Penalty for Refusal to Work	\$ -	DPHSS
2001-36	93.558	Eligibility	\$ -	DPHSS

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Part III - Federal Award Findings and Questioned Cost Section, Continued

Reference Number	CFDA Number	Findings	Questioned Costs	Guam Agency
2001-37	93.558	Allowable Costs/Cost Principles – Records Retention	\$ 543,972	DOA, DPHSS
2001-38	93.563	Special Tests and Provisions – Enforcement of Support Obligation	\$ -	Law
2001-39	93.563	Special Tests and Provisions – Locate Absent Parents	\$ -	Law
2001-40	93.563	Special Tests and Provisions – Establishment of Paternity	\$ -	Law
2001-41	93.563	Procurement and Suspension and Debarment	\$ 103,593	GSA, Law
2001-42	93.563	Allowable Costs/Cost Principles	\$ 45,497	DOA, Law
2001-43	93.563	Special Tests and Provisions	\$ -	Law
2001-44	93.563	Special Tests and Provisions	\$ -	Law
2001-45	93.563	Special Tests and Provisions	\$ -	Law
2001-46	93.563	Special Tests and Provisions – Provision of Services	\$ -	Law
2001-47	93.563	Allowable Costs/Cost Principles	\$ 46,071	DOA, Law
2001-48	93.575	Eligibility	\$ -	DPHSS
2001-49	93.575	Reporting	\$ -	DOA, DPHSS
2001-50	93.575	Period of Availability	\$ 65,185	DOA, DPHSS
2001-51	93.575	Eligibility	\$ -	DPHSS
2001-52	93.575	Earmarking	\$ 568,421	DPHSS
2001-53	93.575	Subrecipient monitoring	\$ -	DPHSS
2001-54	93.667	Period of Availability	\$ 21,826	DOA, DPHSS
2001-55	93.667	Reporting	\$ -	DOA, DPHSS
2001-56	93.667	Procurement and Suspension and Debarment	\$ 27,160	GSA, DPHSS
2001-57	93.667	Allowable Costs/Cost Principles	\$ 40,879	DOA, DPHSS
2001-58	93.778	Reporting	\$ -	DPHSS, DOA
2001-59	93.778	Special Tests and Provisions – ADP Risk Analysis	\$ -	DPHSS
2001-60	93.778	Allowable Costs/Cost Principles – Records Retention	\$ 464,242	DOA, DPHSS
2001-61	10.551	Fund 201 – Inventory	\$ -	DOA
2001-62	All	Subrecipient monitoring	\$ -	All
2001-63	All	Equipment management	\$ -	All
2001-64	All	Cash	\$ -	DOA
2001-65	All	Cash Management	\$ -	DOA
2001-89	10.553/10.555	Other Receivables	\$ -	DOA
2001-109	84.126/93.575/ 93.667	Federal Funds Availability	\$ -	DOA, DISID, DPHSS
Total Federal Questioned Costs			\$ <u>9,875,246</u>	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-01
CFDA No. 12.401
Program Name: National Guard Military Operations and Maintenance (O&M) Projects.
Area: Period of Availability
Questioned Costs: \$139,749

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, National Guard Operations and Maintenance agreements are funded with one-year appropriations and, as such, obligations may not be incurred against Federal funds for a specified year before or after the Federal fiscal year in which the funds were appropriated

Condition:

A total of \$139,749 (or 14% of fiscal year 2001 program expenditures aggregating \$1,020,395) in payroll costs were incurred for pay periods in FY 2001, but were charged to the FY 2000 grant, as follows:

<u>Project Name</u>	<u>Project</u>	<u>Year</u>	<u>Fund</u>	<u>App</u>	<u>Org</u>	<u>Prog</u>	<u>Account</u>	<u>Expenditures</u>
DMA Army National Guard-00 Fed Match	2620	2000	201 B		3730	5302	26	\$ 48,213
DMA ARNG-Physical Security	2616	2000	201 E		3710	5302	31	7,124
DMA ARNG-Physical Security	2616	2000	201 E		3740	5302	31	24,037
DMA Air National Guard-99/00 Fed Match	2619	2000	201 B		3720	5302	31	9,527
DMA Army National Guard-00 Fed Match	2620	2000	201 B		3730	5302	31	22,566
DMA Training Site-Army FY00	2621	2000	201 E		3710	5303	31	13,553
DMA Environmental Program-Compliance FY00	2622	2000	201 E		3710	5303	31	<u>14,729</u>
								<u>\$ 139,749</u>

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 period of availability requirements.

Effect:

A questioned cost of \$139,749 exists.

Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with OMB Circular A-133 period of availability requirements.

Auditee Response and Corrective Action Plan:

In a letter dated January 22, 2003, the Program Office provided the following response:

We have reviewed the above preliminary findings and do agree that Payroll cost incurred in FY 2001 was erroneously charged to FY 2000.

As a line agency we obligate funds against our appropriations and send them forward to Department of Administration (DOA) to appropriately charge the respective account. During FY 2000 and FY 2001, we have no way of knowing if accounts are being charged properly. This is a transition period for the computer program AS400 and Oracle at DOA.

Our department cannot specifically identify action or personnel to perform corrective action. This matter should involve DOA since they are the official accounting agency for Government of Guam.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-02
CFDA No. 12.401
Program Name: National Guard Military Operations and Maintenance (P&M) Projects.
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,165

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 21 (or 58%) out of 36 items tested, aggregating \$32,850 of \$750,374 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
42673	07/09/01	27200000	\$ 1,528
PPE 11/18/00 RID 2354		575883155	1,368
PPE 11/04/00 RID 2274		586014301	1,080
PPE 06/02/01 RID 14576 GC		586031937	503
178956	09/27/01	586050522	1,415
178956	09/27/01	586050522	371
PPE 03/24/01 RID 13876 GC		586050522	349
PPE 12/30/00 RID 12934		586058681	1,519
174732	09/18/01	586071501	1,018
178960	09/27/01	586092182	710
PPE 12/30/00 RID 12934		586092182	1,419
174733	09/18/01	586648651	848
PPE 03/24/01 RID 13876 GC		586709181	220
PPE 12/02/00 RID 2478		586725184	1,147
153327	07/05/01	586866047	1,489
PPE 05/05/01 RID 14335 GC		586866047	456
42639	07/09/01	B1096041	44
48548	09/19/01	F0526501	168
48556	09/19/01	S5296311	241
48577	09/19/01	Z0025226	218
20012615146Z0025226_GC	09/22/01	Z0025226	54
			<u>\$16,165</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$16,165 exists.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 22, 2003, the Program Office provided the following response:

Our department cannot specifically identify action or personnel to perform corrective action. This matter should involve DOA since they are the official accounting agency for Government of Guam.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-03
CFDA No.: 15.605/15.611
Program Name: Fish and Wildlife Cluster
Area: Procurement and Suspension and Debarment
Questioned Costs: \$61,712

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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 4 (or 44%) out of 9 transactions, aggregating \$117,771 of \$822,500 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
03/08/02	60129	A0096755	D011600222	\$ 4,183
02/04/02	58406	A6497301	P016A00130	2,000
04/23/01	37989	B6911004	P006A03899	<u>55,529</u>
				<u>\$ 61,712</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$61,712 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated February 3, 2003, the Program Office provided the following response:

In response to your Memo of November 22, 2002 to Mr. Alan Van Aken, the following is provided. The recent passage of Super Typhoon Pongsona impacted our ability to reply sooner.

As you are aware, the official 'office of record' for the Department of Agriculture's financial and procurement activity rests with the Department of Administration. The Director of Administration should be contacted regarding these findings and questioned costs.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-03
CFDA No.: 15.605/15.611
Program Name: Fish and Wildlife Cluster
Area: Procurement and Suspension and Debarment
Questioned Costs: \$61,712

Auditee Response and Corrective Action Plan, Continued:

The Department of Agriculture does not agree with the Schedule of Preliminary Findings and Questioned Costs, Finding No.2001-01. As you reported, "there is no significant history of the procurement on file for the following transactions:"

1. Transaction #60129 is reflective of a direct payment request (D011600222) processed for compensation to Animal Medical Clinic for veterinary services provided in connection with Purchase order P016A00669 . Requisition Q-01-1600-005 dated October 11, 2000 for Veterinary Services was processed and submitted to the General Services Agency for appropriate procurement action. The suggested vendor, Animal Medical Clinic has an established record of treating Guam's endangered Ko' Ko, Marianas Crow and Fanihi. Purchase order P016AO0669 was published December 26, 2001 in the amount of \$2,000. A request to increase the Purchase order amount by \$1000 was processed on May 15, 2001. It was later determined that invoiced services would exceed the capacity of the purchase order and requisition Q-01-1600- 438 dated August 31, 2001 was submitted to GSA for procurement processing. When it was determined that no record of this procurement request was being acted on, a direct payment request was processed to pay for services rendered. This office cannot explain the time lag between the date of the Direct Pay, September 28, 2001 and the Date of Check issue, March 8, 2002. Copies of the documents mentioned above are provided for your information.
2. Requisition Q-01-1600-002 dated October 6, 2000 was processed and submitted to GSA requesting procurement of 'aircraft charter services.' Aviation Services Ltd was the suggested vendor. Purchase order P016AO0130 was subsequently issued on November 20, 2000 for these services. Transaction #58406 is reflective of a payment processed for invoiced services received in connection with this purchase order. Copies of documents mentioned above are provided for your information.
3. Transaction #37989 reflects the payment process for a boat purchased pursuant to purchase order P006A03899. Requisition Q-00-1600-306 dated March 27, 2000 was processed and submitted to GSA for procurement action to purchase a 21' Boston Whaler boat. The suggested vendor source was identified as Boston Whaler, Edgewater, FL and Federal GSA Contract NO GS-07F-0011J was provided. Purchase order P006A03899 was subsequently issued on June 29, 2000. The boat was received in December 2000 and invoiced by the vendor. Please note that this Boat was the subject of a Fixed Assets observation performed by your office during November 2001. Copies of relative documents are provided for your information.

Based on the provided documentation and clarification, we recommend the findings and investigative efforts be adjusted appropriately. I hope the above information and attached documents will be helpful in resolving these issues. If you need further information or assistance, do not hesitate to contact my office. Again, please be reminded, that the official office of record for this information is the Department of Administration and requests for information should be submitted to the Director.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

The documents provided do not include a rationale for the vendor selected. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-04
CFDA #: 15.605 and 15.611
Program Name: Fish and Wildlife Cluster
Area: Special Tests and Provisions - Assent Legislation and Diversion of License Fees
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements and 50 CFR part 80, a State may participate in the benefits of the Sport Fish and Wildlife program and the Wildlife Restoration program only after it has passed legislation for the conservation of fish and wildlife, including a prohibition against the diversion of license fees paid by hunters and sport fishermen to purposes other than for the administration of the fish and wildlife agency.

Condition:

- 1) License fees collected from hunters and sport fishermen are commingled with other deposits in the Wildlife Conservation Fund.
- 2) Collections were not being enforced for lost or missing licenses/tags that had been issued to participating off-site hunting license vendors.

Cause:

- 1) Hunting and license fees are commingled with all other revenue funds and were deposited into two general revenue accounts with the Guam Department of Administration.
- 2) There appears to be a lack of internal controls over enforcing collections for lost or missing licenses/tags issued to participating off-site vendors.

Effect:

The Government of Guam appears to be in noncompliance with OMB Circular A-133 special tests and provisions requirements and 50 CFR part 80. Furthermore, license fee revenues may have been diverted from use in the administration of the fish and wildlife agency and may be misstated.

Recommendation:

- 1) Separate revenue accounts should be established specifically for License fees paid by Hunters and Fisherman.
- 2) The Government of Guam should establish and implement internal controls to ensure that off-site vendors account for all licenses/tags and pay for licenses/tags deemed lost or missing.

Auditee Response and Corrective Action Plan:

- 1) Condition 1: Bill No. 321 "An Act to Amend 63130 of Title 5 Of the Guam Code Annotated, Relative to Accountability Over The Wildlife Conservation Fund" was passed on May 17, 2002, authorizing and establishing the creation of specific accounts designated only for deposits of revenues generated from Hunting licenses.
- 2) Condition 2: The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-05
CFDA #: 15.605 and 15.611
Program Name: Fish and Wildlife Cluster
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Approval No.1018-0007, the State fish and wildlife agency shall certify annually the number of paid hunting and fishing license holders in the State.

Condition:

The certified number of persons holding paid hunting licenses does not reconcile with the detail listing and is overstated by 203 individuals.

Cause:

There appears to be a lack of internal controls over ensuring that the required certifications are supported by program records.

Effect:

The certified number of persons holding paid hunting licenses appears overstated.

Recommendation:

Prior to certifying the number of paid hunting licenses, the responsible personnel should reconcile the certification with detailed program records.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-06
CFDA #: 15.605 and 15.611
Program Name: Fish and Wildlife Cluster
Area: Earmarking
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 and grant award terms and conditions, earmarking requirements are as follows:

- 1) Not more than 15 percent of the annual apportionment to each State under the provisions of the Federal Aid in Sport Fish Restoration Act may be used for aquatic education projects.
- 2) The State shall allocate at least 15 percent of each annual apportionment under the Federal Aid in Sport Fish Restoration Act for recreational boating access facilities.

Condition:

The Government of Guam's accounting records do not provide sufficient detail to indicate expenditures for aquatic education projects or recreational boating access facilities. Therefore, compliance with earmarking requirements could not be determined.

Cause:

There appears to be a lack of internal controls over ensuring compliance with earmarking requirements.

Effect:

The grantee may be in noncompliance with OMB Circular A-133 earmarking requirements and grant award terms and conditions.

Recommendation:

The Government of Guam should establish and implement internal control procedures to ensure compliance with OMB Circular A-133 and grant award earmarking requirements. The responsible personnel should account for and monitor expenditures incurred specifically for aquatic education projects and for recreational boating access facilities.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-07
CFDA #: 15.605 and 15.611
Program Name: Fish and Wildlife Cluster
Area: Allowable Costs/Cost Principles
Questioned Costs: \$277,702

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 19 (or 66%) out of 29 items tested, aggregating \$290,178 of \$575,403 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
41756	06/26/01	27200000	\$ 297
41756	06/26/01	27200000	1,685
151773	07/05/01	078367805	413
42673	07/09/01	27200000	634
155823	07/23/01	171523647	1,009
48499	09/19/01	27200000	1,488
PPE 3/10/01 RID 13695		524294992	1,313
PPE 01/27/01 RID 13254		217429656	1,987
PPE 1/27/01 RID 13254		399783300	1,548
PPE 10/21/00 RID 2174			257,143
PPE 11/18/00 RID 2354		586723086	1,268
PPE 11/4/00 RID 2274		212885784	1,084
PPE 12/02/00 RID 2478		586742792	1,250
PPE 12/16/00 RID 12816		586703616	1,446
PPE 12/30/00 RID 12934 GC		533826199	236
PPE 2/10/01 RID 13455		560700573	912
PPE 3/24/01 RID 13876		586093811	1,713
PPE 5/19/01 RID 14455		441842195	941
PPE 5/5/01 RID 14335		586725872	1,335
			<u>\$277,702</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$277,702 exists.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-07, Continued
CFDA #: 15.605 and 15.611
Program Name: Fish and Wildlife Cluster
Area: Allowable Costs/Cost Principles
Questioned Costs: \$277,702

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter date February 3, 2003, the Program Office provided the following response:

As you are aware, the official "office of record" for the Department of Agriculture's financial and procurement activity rests with the Department of Administration. The Director of Administration should be contacted regarding these findings and questioned costs.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-08
 CFDA No.: 15.875
 Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$3,881,759

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles, only program costs should be charged to the Federal program. Furthermore, in accordance with the Organic Act, General Fund appropriations shall be made by the Guam Legislature.

Condition:

1. Through Grant No. INS-GUAM-99-1, the U.S. Department of the Interior transferred a total of \$4,440,509 to the Government of Guam in FY 2000 as a reimbursement for expenditures that had been incurred by the General Fund (Fund 101) in fiscal year 1999 for services and support related to the detention and care of Chinese migrants.
2. Additionally, through Grant No. INS-GUAM-99-1A, the U.S. Department of the Interior provided a total of \$3,446,725 (of which amount \$3,266,127 was received in September 2000 and \$180,598 was received in October 2000) to the Government of Guam as a reimbursement for expenditures that had been incurred by the General Fund (Fund 101) in fiscal year 2000 for services and support related to the detention and care of Chinese migrants.

Upon receipts of the reimbursements, the Government of Guam did not return the monies to Fund 101 for appropriation by the Guam Legislature. Instead, various Fund 201 (Federal Fund) accounts were established, and expenditures were incurred in FY 2001, as follows:

<u>Project</u>	<u>Grant INS- GUAM-99-1</u>	<u>Grant INS- GUAM-99-1a</u>	<u>Total Expenditures</u>
Governor's Office Operations	\$ 295,581	\$ 876,167	\$ 1,171,748
GPD 911 System/Overtime	0	600,315	600,315
DOA Overtime & Capital Outlay/FMS Project	10,022	386,953	396,975
GFD 911 Installation/Dispatch INS	0	344,591	344,591
Department of Law Lease	0	295,000	295,000
Governor's Office Travel	16,443	245,170	261,613
DRT Operations	7,865	184,563	192,428
DOC Operations	118,896	0	118,896
DOA Overtime INS	0	115,421	115,421
DPW Solid Waste Operations	0	84,922	84,922
Department of Education	0	70,000	70,000
CSD-Organic Act 50th Anniversary	0	60,000	60,000
Division of Personnel Mgmt Operations	42,300	0	42,300
GFD Uniforms	40,000	0	40,000
GFD Emergency Vehicle Parts and Repair	37,589	0	37,589
BBMR Operations	22,552	0	22,552
DYA Operations (INS)	14,960	0	14,960
CSC Operations	12,449	0	12,449
Mental Health Operations – INS	0	0	0
Repair of RJB Complex Roof	0	0	0
Guam Planning Council (INS)	0	0	0
GEPA SCREP Conference'	0	0	0
Parks and Recreation Operations	0	0	0
Totals	\$ <u>618,657</u>	\$ <u>3,263,102</u>	\$ <u>3,881,759</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-08, Continued
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Allowable Costs/Cost Principles
Questioned Costs: \$3,881,759

Cause:

The Department of Administration (DOA) sought opinions from the Guam Department of Law, Office of the Attorney General, and from the U.S. Department of the Interior regarding the accounting and expenditure treatment of the \$4.4M. The Director of the Office of Insular Affairs responded, "The grant No. INS-GUAM-99-1 was strictly a reimbursable instrument and you may use the funds in any way you determine appropriate." Therefore, the reimbursements for both grants were recorded in Fund 201.

Effect:

It appears that the Government of Guam may be in noncompliance with local laws concerning the use of the reimbursements. At September 30, 2001, Fund 101 expenditures could be understated by about \$3.9M; and Fund 201 revenues, expenditures, and accounts receivable could be overstated by about \$3.9M. A questioned cost of \$3,881,759 exists.

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 obtain the Attorney General's opinion regarding the proper appropriation procedure for the \$4.4M and \$3.4M reimbursements.

Auditee Response and Corrective Action Plan:

In a letter dated December 5, 2002, the Program Office provided the following response:

Please find attached the support documents (opinion form Assistant Attorney General and letter Department of Interior) as requested regarding the INS-GUAM-00-1/1A grants. I am hopeful the attached documentation addresses your concerns.

Auditors' Response:

The issue of the proper appropriation procedure is not addressed by the support documents provided. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-09
 CFDA No.: 15.875
 Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$378,178

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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:

Out of 38 transactions, aggregating \$5,711,970 of \$17,041,393 in total Program expenditures, we noted the following:

1) For 7 (or 18%), there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/18/01	29809	A7336001	Law	C010600130	\$ 38,018
02/21/01	32127	O0074468	Admin.	C010600650	173,590
05/22/01	40026	B0054001	Public Works	C010601600	64,548
07/26/01	43974	C0097774	Rev. & Tax.	D010800170	38,762
10/26/01	51332	M0941404	Police	D011200477	200,000
11/01/01	51755	P3351001	Corrections	P016A03999	8,443
03/08/01	34197	R1104031	Public Works	P016P00004	<u>14,900</u>
					\$ <u>538,261</u>

2) For 1 (or 3%), there is no written rationale for the vendor selection for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
10/30/00	22622	A0096883	Rev. & Tax.	C000601361	\$ <u>30,810</u>

3) For 3 (or 8%), the transaction involves a prior year procurement. However, in the prior year, there was no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
03/20/01	34861	J0083132	Governor	C980600921	\$ 108,000
09/21/01	48895	M0097169	Planning	C990602981	<u>151,968</u>
					\$ <u>259,968</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-09, Continued
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Procurement and Suspension and Debarment
Questioned Costs: \$378,178

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost exists, as follows:

Total costs questionable		\$ 829,039
Less costs already questioned at a previous finding (see 2001-08):	<u>Reference #</u>	
Project-Department of Law Lease	C010600130	(38,018)
Project-DOA Overtime & Capital Outlay (FY 00)/FMS Project (FY01)	C010600650	(173,590)
Project-GPD 911 System/Overtime	D011200477	(200,000)
Project-DOC Operations	P016A03999	(8,443)
Project-DRT Operations	C000601361	<u>(30,810)</u>
Total questioned costs presented at this finding		\$ <u>378,178</u>

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated December 5, 2002, the Program Office provided the following response:

This finding should be addressed to the Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-10
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Allowable Costs/Cost Principles
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 and OMB Circular A-87 allowable costs/cost principles, only legal expenses required in the administration of Federal programs are allowable.

Condition:

For one (or 2%) out of 62 transactions, the Federal program was charged legal expenses for Civil Case #01-00016 (bank vs. Guam Department of Revenue and Taxation) in the amount of \$38,762, paid with check number 43974 on July 26, 2001, to vendor number C0097774.

Cause:

There appears to be weak internal controls over ensuring that only allowable legal expenses are charged to the Federal program.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 and OMB Circular A-87 allowable costs/cost principles. A questioned cost exists, as follows:

	<u>Vendor #</u>	<u>Questioned Cost</u>
Unallowable legal expenses	C0097774	\$38,762
Less amount already questioned in a previous finding (see 2001-09)	C0097774	(38,762)
Questioned costs presented at this finding		\$ <u>0</u>

Recommendation:

The Government of Guam should strengthen internal controls to ensure that only legal expenses required in the administration of Federal programs are charged to the Federal program.

Auditee Response and Corrective Action Plan:

In a letter dated December 5, 2002, the Program Office provided the following response:

This finding should be addressed to the Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-11
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements, standard financial reports, such as quarterly Federal Cash Transactions Reports (SF 272), should be submitted to the grantor agency. Furthermore, in accordance with the Common Rule records retention requirement, copies of such reports should be retained on file for at least three years.

Condition:

No federal financial reports were provided for review.

Cause:

There appears to be a lack of internal controls over ensuring that either (1) standard financial reports are submitted to the grantor agency or (2) copies of submitted reports are retained on file for at least three years.

Effect:

The Government of Guam may be in noncompliance with OMB Circular A-133 reporting requirements or the Common Rule records retention requirement.

Recommendation:

The Government of Guam should provide copies of the federal financial reports it submitted to the grantor agency for the period covering fiscal year 2001. If no such reports were submitted, the Government of Guam should prepare and submit the required reports and should establish internal controls to ensure compliance with OMB Circular A-133 reporting requirements.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

This finding should be addressed to the Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-12
CFDA No.: 15.875
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, the Government of Guam should comply with the specific requirements that are unique to each Federal program and that are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Furthermore, in accordance with the Common Rule records retention requirement, copies of such programmatic records should be retained on file for at least three years.

Condition:

No grant agreement for the capital improvement projects program was provided for review.

Cause:

There appears to be weak record keeping controls.

Effect:

The Government of Guam is in noncompliance with the Common Rule records retention requirements and may be in noncompliance with OMB Circular A-133 special tests and provisions requirements and with grant terms and conditions.

Recommendation:

The Government of Guam should provide the grant agreement for the capital improvement projects program to effect resolution of this finding. Furthermore, the Government of Guam should strengthen record keeping controls.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

This finding should be addressed to the Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-13
 CFDA No.: 15.875
 Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$2,639

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 11 (or 85%) out of 13 items tested, aggregating \$42,431 of \$2,342,165 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Project</u>	<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
Governor's Office Operations	179427	09/30/01	586035810	\$ 3,722
Governor's Office Operations	179681	09/30/01	586641668	2,850
Governor's Office Operations	J010660136		561427459	2,692
Governor's Office Operations	J010660136		550925920	2,850
DOA Overtime & Capital Outlay/FMS Project	187956	09/30/01	586709654	6,365
DOA Overtime-INS	PPE 1/13/01 RID 13135		545922115	598
DPW Road Projects	PPE 11/18/00 RID 2354		586077043	1,129
DPW Waste Operations	J010660305		586645560	7,139
GPD 911 System/Overtime	204274	09/30/01	586741136	8,294
Governor's Office Operations (FEMA 10%)	183637	09/30/01	569048160	646
Agriculture Brown Tree Snake Program	151815	07/05/01	586748664	864
				<u>\$ 37,149</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost exists, as follows:

Total costs questionable	\$ 37,149
Less amount for projects already questioned at a previous finding (See 2001-08)	<u>(34,510)</u>
Questioned costs presented at this finding:	
Project: Road Projects	\$ 1,129
Project: Governor's Office Operations (FEMA 10%)	646
Project: Agri Brown Tree Snake Program	<u>864</u>
Total questioned costs presented at this finding	<u>\$ 2,639</u>

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

This finding should be addressed to the Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-14

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GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-15
CFDA No.: 20.205
Program Name: Highway Planning & Construction
Area: Procurement and Suspension and Debarment
Questioned Costs: \$36,498

Criteria:

In accordance with Common Rule Section 36 (9) procurement requirements, grantees and subrecipients will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: 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%) out of 33 transactions, there is no apparent history of procurement maintained in the file for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
05/25/01	40478	P3276201	C010600030	\$6,807

Total expenditures paid under contract # C01060030 in FY 2001 totaled \$36,498.

Cause:

There appears to be a lack of internal controls over ensuring compliance with Common Rule Section 36 (9) procurement requirements.

Effect:

The Government of Guam is in noncompliance with procurement requirements. A questioned cost of \$36,498 exists.

Recommendation:

The Government of Guam should establish and implement internal control policies and procedures to ensure compliance with the Common Rule Section 36 (9) procurement requirements.

Auditee Response and Corrective Action Plan:

In a letter dated September 30, 2002, the Program Office provided the following response:

The procurement procedures we applied to secure these geotechnical contracts differs from the usual construction or design contracts wherein we formally announce the bid solicitation. The reason being is that there are only two geotechnical consultants on island, they are Pacific Soils Engineering & Testing and Geo-Engineering & Testing. We find it impractical to do a formal bid invitation knowing that there are only two companies available. What has been done historically on projects wherein Public Works will handle the construction testing for road projects, we informally ask these two companies to submit proposals for any road projects. They both submit proposals for the above reference projects. We historically evaluate geotechnical proposals based on their workloads and their existing contracts. During the time of selection we were informed both by Maeda Pacific Corporation and IBC/Nippon Hodo Joint Venture that they intend to seek the services of Geo-Engineering & Testing for their own testing. In the event that a contractor do not agree with the results of government testing they will always seek a second opinion through another testing agency and in this case they must use Geo-Engineering.

We are unable to locate the proposal submitted for the reference projects by Geo-Engineering & Testing. It probably included in most of the files misplaced when I was the Acting Chief Engineers two years ago. I remembered personally receiving these proposals and placed it on COE's files. It was misplaced when I took emergency leave of absence on the last week of November 2002 and when I returned to work on the second week of December of the same year. By that time I was replaced by our new Chief Engineer and some of my files was transferred to my new office without my knowledge.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-15, Continued
CFDA No.: 20.205
Program Name: Highway Planning & Construction
Area: Procurement and Suspension and Debarment
Questioned Costs: \$36,498

Auditee Response and Corrective Action Plan, Continued:

Furthermore, in a letter dated December 20, 2002, the Program Office provided the following response:

We agree to close the above referenced finding based on our justification that was submitted on September 30, 2002.

Corrective Action Plan:

- a. We have updated the implemented Procurement Procedures for Engineer and Architect Services and we acknowledge receipt from the Division of Engineering staff.
- b. The Federal Highway Administration (FHWA) and The Department of Public Works are in process of connecting the Digital System Line (DSL) to have direct access to FHWA Financial Management System to prevent erroneous claims.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-16
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, the Government of Guam shall submit to the U.S. EPA Project Officer an accounting of all program income funds earned, including a description of how those funds have been used or will be used to support the overall consolidated environmental program.

Condition:

The Government of Guam could not provide an accounting of all program income funds earned, including a description of how those funds have been used or will be used to support the overall consolidated environmental program.

Cause:

The Government of Guam has not established accounts due to difficulties surrounding the implementation of the new financial management system at the Guam Department of Administration.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions requirements.

Recommendation:

The Government of Guam should consider establishing manual procedures over accounting for the earning and disbursement of program income.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

The Administrative Services Officer has since set up an internal database to track all program income (sample attached). At the same time, DOA has reverted back to the AS400 system which allows for better access to the accounts. US EPA, Region IX has been informed of this new procedure and was provided it's first copy of the program income status report for FY 2003 in November 2002. The Administrator, ASO, Program Directors, and US EPA all coordinate the disbursement of program income in accordance with applicable laws and Agency goals and objectives.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number: 2001-17
CFDA Number: 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Allowable Costs/Cost Principles
Questioned Costs: \$128,752

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For all 37 (or 100%) of the items tested, aggregating \$128,752 of \$1,987,850 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

	<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
1.	187745	09/30/01	586054472	\$ 7,178
2.	178024	09/27/01	269581427	1,674
3.	178037	09/27/01	586722550	1,405
4.	178027	09/27/01	586052707	992
5.	PPE 03/24/01 RID 13876_GC			3,074
6.	48499	09/19/01	27200000	2,144
7.	PPE 11/04/00 RID 65754		586662169	1,914
8.	148442	06/20/01	586054209	1,547
9.	148441	06/20/01	586051444	1,015
10.	148446	06/20/01	586726595	995
11.	148475	06/20/01	586662060	1,130
12.	148445	06/20/01	586662169	1,484
13.	PPE 12/16/00 RID 12816 GC		586782368	2,828
14.	46031	08/23/01	27200000	17,432
15.	162122	09/13/01	586033222	8,168
16.	162123	09/13/01	586073143	7,326
17.	177992	09/27/01	519665312	265
18.	178009	09/27/01	586663249	422
19.	178012	09/27/01	586685671	725
20.	178038	09/27/01	586726601	1,258
21.	178014	09/27/01	586723086	991
22.	178026	09/27/01	586038105	897
23.	178026	09/27/01	586038105	897
24.	PPE 12/16/00 RID 12816 GC		586666574	361
25.	2001261514627200000_GC		27200000	2,694
26.	152409	07/05/01	586940677	1,317
27.	152420	07/05/01	515541789	1,185
28.	152418	07/05/01	438634434	1,072
29.	152419	07/05/01	500921830	871
30.	152421	07/05/01	586073851	379

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number: 2001-17, Continued
CFDA Number: 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Allowable Costs/Cost Principles
Questioned Costs: \$128,752

Condition, Continued:

	<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
31	J010610090			\$ 45,304
32.	PPE 10/21/00 RID 2174		127203518	1,914
33.	PPE 10/21/00 RID 2174		328388155	1,762
34.	PPE 06/02/01 RID 14576		374806333	2,553
35.	PPE 06/02/01 RID 14576		586090682	1,235
36.	PPE 06/02/01 RID 14576		519136331	1,241
37.	PPE 06/02/01 RID 14576		586784757	1,103
				<u>\$128,752</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$128,752 exists.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

Copies of time sheets, personnel actions and service cards for the questioned period will be available for review after 1/24/03. The Administrative Services Officer will ensure better coordination efforts with DOA Personnel and Payroll so that documents are on file and readily available.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

No documents were provided after January 24, 2003. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-18
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Procurement and Suspension and Debarment
Questioned Costs: \$64,102

Criteria:

In accordance with OMB Circular A-133 procurement requirements and Guam Procurement Law, use of sole source procurement is allowable when there is only one source for the required goods or services and such determination is approved in writing by the chief procurement officer or head of the purchasing agency.

Condition:

For 2 (or 15%) out of 13 transactions, aggregating \$280,469 of \$2,830,642 in total Program expenditures, the written determination for sole source procurement is not signed approved for the following:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	07/26/01	44160	V2661504	P016A03400	17,899
2.	11/09/01	52089	A0097639	P016A04283	<u>46,203</u>
					<u>\$ 64,102</u>

Cause:

There appears to be weak internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and Guam Procurement Law.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and Guam Procurement Law. A questioned cost of \$64,102 exists.

Recommendation:

The responsible personnel should strengthen internal controls to ensure that written determinations for use of the sole source procurement method are properly signed approved by either the chief procurement officer or head of the purchasing agency in accordance with OMB Circular A-133 procurement requirements and Guam Procurement Law.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

Supporting documents to substantiate the questioned costs will be available for review after 1/24/03. The Administrative Services Officer will work closely with DOA Accounting to ensure documents are on file and readily available.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

No documents were provided after January 24, 2003. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-19
CFDA No. 66.600
Program Name: Environmental Protection Consolidated Grants: Program Support
Area: Allowable Costs/Cost Principles
Questioned Costs: \$30,053

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, such documents as check copies, payment requests, vendor invoices, purchase orders, receiving reports, journal vouchers, and other attendant support should be maintained on file to substantiate expenditures.

Condition:

For 1 (or 8%) out of 13 transactions, aggregating \$280,469 of \$2,830,642 in total Program expenditures, no supporting documents were provided to substantiate the following expenditure:

<u>Account Number</u>	<u>Reference Number</u>	<u>Amount</u>
16142000201B22988101000251	Z-9516-5739-00	\$30,053

Cause:

There appears to be weak internal control policies and procedures over ensuring compliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. A questioned cost of \$30,053 exists.

Recommendation:

The Government of Guam should provide documents to substantiate the above listed transaction and to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

Supporting documents to substantiate the questioned costs will be available for review after 1/24/03. The Administrative Services Officer will work closely with DOA Accounting to ensure documents are on file and readily available.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

No documents were provided after January 24, 2003. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-20
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Procurement and Suspension and Debarment
Questioned Costs: \$46,800

Criteria:

In accordance with OMB Circular A-133 procurement requirements and 44 CFR 13, grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: 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 6%) out of 16 transactions, aggregating about \$3,851,349 of \$5,401,394 in total Program expenditures, the significant history of the procurement was not provided for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
05/16/01	39282	K3304001	C000601730	\$52,000

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 procurement requirements and 44 CFR 13.

Effect:

The Government of Guam is in noncompliance with procurement requirements. A questioned cost of \$46,800 exists, as follows:

Total costs questioned	\$ 52,000
X Federal share	<u>90%</u>
Total questioned costs	\$ <u>46,800</u>

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 establish and implement internal control policies and procedures to ensure compliance with OMB Circular A-133 procurement requirements and 44 CFR 13.

Also, the Government of Guam should provide the requested procurement documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-21
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$2,458,357

Criteria:

In accordance with 44 CFR 13.26, State or local governments that provide Federal awards to a subgrantee, which expends \$300,000 or more in Federal awards in a fiscal year, shall determine whether State or local subgrantees have met the audit requirements of the Single Audit Act Amendments of 1996 and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," or OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," as applicable.

Condition:

The Government of Guam did not obtain Single Audit reports from the following subgrantees, to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2001, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
A2031601	9812	\$ 2,458,357
U0226001	9973	\$ 597,136
P0029901	9978	\$ 548,153
21900000	1998	\$ 503,382

Cause:

There appears to be a lack of internal controls over ensuring compliance with 44 CFR 13.26 audit requirements.

Effect:

The Government of Guam is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that vendors U0226001, P0029901, and 21900000 above were subjected to a Single Audit, the reports of which are pending issuance. Therefore, a questioned cost of \$2,458,357 exists.

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 monitor subgrantees and obtain audits from those subgrantees that expend more than \$300,000 in federal funds.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-22
CFDA No.: 83.548
Program Name: Hazard Mitigation Grant
Area: Special Tests and Provisions – 44 CFR 13.26
Questioned Costs: \$0

Criteria:

In accordance with 44 CFR 13.26, State or local governments that provide Federal awards to a subgrantee, which expends \$300,000 or more in Federal awards in a fiscal year, shall determine whether State or local subgrantees have met the audit requirements of the Single Audit Act Amendments of 1996 and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," or OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," as applicable.

Condition:

The Government of Guam did not obtain Single Audit reports from the following subgrantees, to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2001, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
P0029901	9978	\$ 1,306,407
G0742101	9966	\$ 937,739
G0767401	9967	\$ 393,336

Cause:

There appears to be a lack of internal controls over ensuring compliance with 44 CFR 13.26 audit requirements.

Effect:

The Government of Guam is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that the vendors above were subjected to a Single Audit, the reports of which are pending issuance. Therefore, no costs are questioned at this finding.

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 monitor subgrantees and obtain audits from those subgrantees that expend more than \$300,000 in federal funds.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-23
CFDA No.: 83.548
Program Name: Hazard Mitigation Grant
Area: Procurement and Suspension and Debarment
Questioned Costs: \$182,889

Criteria:

In accordance with OMB Circular A-133 procurement requirements and 44 CFR 13, grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 2 (or 7%) out of 27 transactions, aggregating about \$2,718,740 of \$3,117,673 in total Program expenditures, the significant history of the procurement was not provided for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	06/11/02	#000191052	G0096698	C000600180	\$ 74,250
	12/27/00	27922	G0096698	C000600180a	67,680
	01/09/01	29280	G0096698	C000600180a	41,580
2.	11/15/01	53187	M1734031	C990603492	<u>19,700</u>
					<u>\$ 203,210</u>

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 procurement requirements and 44 CFR 13.

Effect:

The Government of Guam is in noncompliance with procurement requirements. A questioned cost of \$ 182,889 exists, as follows:

Total costs questioned	\$ 203,210
X Federal share	90%
Total questioned cost	<u>\$ 182,889</u>

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 establish and implement internal control policies and procedures to ensure compliance with OMB Circular A-133 procurement requirements and 44 CFR 13. Also, the Government of Guam should provide the requested procurement documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-24
CFDA No.: 83.548
Program Name: Hazard Mitigation Grant
Area: Allowable Costs/Cost Principles – 44CFR13.42 Records Retention
Questioned Costs: \$145,150

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13.42, all supporting documents, such as check copies, payment requests, vendor invoices, and receiving reports, should be maintained on file to substantiate expenditures.

Condition:

For 2 (or 6%) out of 34 transactions, aggregating about \$219,400 out of \$3,117,673 in total Program expenditures, no check disbursement file (including check copies, payment requests, vendor invoices, receiving reports, and other supporting documents) was provided for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
06/11/02	#000191052	G0096698	C000600180	\$ 74,250
06/11/02	#000191151	G0767401	D010661171	145,150
Total unsupported costs				\$ <u>219,400</u>

Cause:

At the Department of Administration, it appears that records were not stored in an orderly manner as a result of limited office space, thereby, creating difficulties for the Government of Guam in readily locating storage boxes.

Effect:

The Government of Guam appears to be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13. A questioned cost of \$145,150 is presented at this finding, as follows:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
06/11/02	#000191151	G0767401	D010661171	145,150

The following transaction is already questioned at a previous finding (see 2001-23):

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
06/11/02	#000191052	G0096698	C000600180	\$ 74,250

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 strengthen record keeping controls to ensure compliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13.42. Also, the Government of Guam should provide the requested check disbursement files to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-25
CFDA No. 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year.

Condition:

There are unexpended balances from grant years 1999 and 2000, whose period of availability ended prior to the fiscal year ended September 30, 2001. The aggregate total of unexpended balances is \$1,127,276, as follows:

<u>Grant Year</u>	<u>Year Period of Availability Ended</u>	<u>Unexpended Balance at 09/30/01</u>
1999	2000	\$ 33,247
2000	2001	1,094,029
		<u>\$1,127,276</u>

Cause:

There appears to be weak internal controls over ensuring that Federal funds are deappropriated after the period of availability.

Effect:

Available balances for grant years 1999 and 2000 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

The Department is in disagreement with the findings. Our office is aware that the Department of Administration is responsible for keying all expenditures into the financial system, and that the data for the period in question came from the Oracle system. Since the Department of Administration (DOA), in accordance with the Central Accounting Act, is the Central Accounting Office for the Government of Guam line agencies; the Department feels that the responsibility for the corrective action plan falls under the purview of the DOA.

The Department of Integrated Services for Individuals with Disabilities is in disagreement with all findings and believes it has satisfied all questioned costs and has provided sufficient information that substantiates that there are adequate controls and that record keeping requirements are met.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-26
CFDA No. 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Special Tests and Provisions - Individualized Plan for Employment (IPE)
Special Tests and Provisions - Comparable Services and Benefits
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133, the following special tests and provisions requirements apply to the program:

1. An individualized plan for employment (IPE) should be developed for each individual served.
2. The State is required to seek comparable services and benefits from other programs before providing vocational rehabilitation services to an eligible individual or to members of the individual's family.

Furthermore, in accordance with the Common Rule, such programmatic records as case files, including IPEs, should be maintained on file for at least three years.

Condition:

For all seven clients tested, no case file was provided for review.

Cause:

There appears to be a lack of record keeping controls.

Effect:

The Government of Guam is in noncompliance with the Common Rule records retention requirements and may be in noncompliance with OMB Circular A-133 special tests and provisions requirements.

Recommendation:

The Government of Guam should provide the requested case files to effect resolution of this finding. Furthermore, the Government of Guam should establish record keeping controls in accordance with the Common Rule.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

The Department is in disagreement with the findings. The case files and the individualized plan for employment (IPE), for the individual clients, are available at the DISID, Division of Vocational Rehabilitation, for the Auditor's review.

The Department of Integrated Services for Individuals with Disabilities is in disagreement with all findings and believes it has satisfied all questioned costs and has provided sufficient information that substantiates that there are adequate controls and that record keeping requirements are met.

Auditors' Response:

The requested documents were not provided during audit fieldwork. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number: 2001-27
CFDA Number: 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Allowable Costs/Cost Principles
Questioned Costs: \$20,699

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For all 7 (or 19%) out of 36 items tested, aggregating \$55,130 of \$878,223 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

	<u>Reference Number</u>	<u>Date</u>	<u>Vendor Number</u>	<u>Amount</u>
1.	41756	06/26/01	27200000	\$ 4,975
2.	42673	06/30/01	27200000	4,975
3.	44621	08/06/01	B1096041	206
4.	44675	08/06/01	I4226311	77
5.	44734	08/06/01	Z0025226	416
6.	47302	09/05/01	27200000	5,030
7.	44655	08/06/01	27200000	<u>5,020</u>
				<u>\$20,699</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$20,699 exists.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

The Department is in disagreement with the findings. Those items [above] are checks payable to financial institutions, i.e., Retirement Branch and the Government of Guam Credit Union. The check disbursement files for payroll deductions are only available at the Department of Administration.

The Department of Integrated Services for Individuals with Disabilities is in disagreement with all findings and believes it has satisfied all questioned costs and has provided sufficient information that substantiates that there are adequate controls and that record keeping requirements are met.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-28
CFDA No. 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Procurement and Suspension and Debarment
Questioned Costs: \$32,683

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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 7 (or 58%) out of 12 transactions, aggregating \$62,821 of \$1,194,088 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	03/21/01	35226	H0096815	C002600333	\$ 7,569
2.	01/04/01	28862	N0096386	C012600005	2,640
3.	05/22/01	40077	G1741014	C012600095	7,652
4.	05/22/01	40077	G1741014	C012600099	6,556
5.	07/26/01	44151	T2132101	C012600106	2,850
6.	07/26/01	44151	T2132101	C012600159	3,980
7.	09/21/01	48913	Q1422201	P016A03129	<u>1,436</u>
					<u>\$32,683</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$32,683 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurement transactions are documented in sufficient detail. The procurement officer should approve purchase orders to procure goods/services from a particular vendor only when the procurement file contains such procurement documents as solicitation ads, bid abstracts, or price or rate quotations obtained from an adequate number of qualified sources in accordance with OMB Circular A-133 procurement requirements and the Common Rule.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

The Department is in disagreement with the findings. Item [7] is the procurement of a copier machine of which bidding documents are available at the General Services Agency. All other remaining items (1-6), were procured meeting the unique needs of DVR's consumers and for providing services not available on the island. Case files for these consumers are available at the DISID, Division of Vocational Rehabilitation for the Auditor's review.

The Department of Integrated Services for Individuals with Disabilities is in disagreement with all findings and believes it has satisfied all questioned costs and has provided sufficient information that substantiates that there are adequate controls and that record keeping requirements are met.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

The requested documents were not provided during audit fieldwork. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-29
CFDA No. 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Activities Allowed or Unallowed
Questioned Costs: \$4,475

Criteria:

In accordance with OMB Circular A-133 activities allowed or unallowed requirements, services provided under the vocational rehabilitation program are any services described in an individualized plan for employment (IPE) necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual. Furthermore, in accordance with the Common Rule, such programmatic documents as IPEs should be maintained on file to substantiate the allowability of services provided to individuals.

Condition:

For 7 (or 58%) out of 12 transactions, aggregating \$62,821 of \$1,194,088 in total Program expenditures, no IPE was provided to substantiate the allowability of services, as follows:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Service</u>	<u>Amount</u>
1						
.	35226	35226	H0096815	C002600333	Surgical procedure	\$ 7,569
2						
.	28862	28862	N0096386	C012600005	Graphic artist training services	2,640
3						
.	40077	40077	G1741014	C012600095	Tuition payment	7,652
4						
.	40077	40077	G1741014	C012600099	Tuition fees	6,556
5						
.	44151	44151	T2132101	C012600106	Transradial prosthesis	2,850
6						
.	44151	44151	T2132101	C012600159	Transtibial endoskeletal prosthesis	3,980
7						
.	46534	46534	I0096051	P016A02373	Wheel chair scooter	<u>4,475</u>
						<u>\$ 35,722</u>

Cause:

There appears to be weak record keeping controls.

Effect:

The Government of Guam is in noncompliance with the Common Rule records retention requirements and may be in noncompliance with OMB Circular A-133 activities allowed or unallowed requirements. A questioned cost exists as follows:

Total costs questioned	\$ 35,722
Less amounts for items 1 to 6 already questioned at a previous finding (see 2001-28)	(31,247)
Questioned costs presented at this finding	<u>\$ 4,475</u>

Recommendation:

The Government of Guam should provide the IPEs to substantiate the allowability of services provided to individuals.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-29, Continued
CFDA No. 84.126
Program Name: Rehabilitation Services: Vocational Rehabilitation Grants to States
Area: Activities Allowed or Unallowed
Questioned Costs: \$4,475

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the Program Office provided the following response:

The individualized plan for employment (IPE) records are individual plans unique to the individual's needs. All case file documents contain information regarding those unique needs and requirements of the consumer. Due to the confidentiality and Federal requirements which govern, the IPEs are only available at the DISID, Division of Vocational Rehabilitation, for the Auditor's review.

The Department of Integrated Services for Individuals with Disabilities is in disagreement with all findings and believes it has satisfied all questioned costs and has provided sufficient information that substantiates that there are adequate controls and that record keeping requirements are met.

Auditors' Response:

The requested documents were not provided during audit fieldwork at the DISID office. Therefore, this finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-30
CFDA No. 93.000
Program Name: Cost Pool Allocation Accounts
Area: Allowable Costs/Cost Principles
Questioned Costs: \$11,312

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 5 (or 15%) out of 34 items tested, aggregating \$40,059 of \$1,159,556 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
1. PPE 12/30/00 RID 12934 GC			\$ 2,387
2. 2001261537027200000_GC		27200000	735
3. 42673	07/09/01	27200000	2,531
4. 42673	07/09/01	27200000	2,833
5. 48499	09/19/01	27200000	<u>2,826</u>
			<u>\$11,312</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$11,312 exists.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the Program Office provided the following response:

Disagree. Department of Administration, Payroll Division, was not able to provide employee records. There are no documentation or records available from the DPHSS for [items 1 through 5].

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-31
CFDA No. 93.000
Program Name: Cost Pool Allocation Accounts
Area: Procurement and Suspension and Debarment
Questioned Costs: \$28,726

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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 3 (or 60%) out of 5 transactions, aggregating \$47,391 of \$1,481,238 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

	<u>Check</u> <u>Date</u>	<u>Transaction</u> <u>#</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	05/10/01	38945	H0096876	P006A05621A	\$20,588
2.	12/06/01	53818	X0012204	P016A01923	1,005
3.	11/09/01	52232	X0012204	P016A06205	<u>7,133</u>
					<u>\$ 28,726</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$28,726 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurement transactions are documented in sufficient detail. The procurement officer should approve purchase orders to procure goods/services from a particular vendor only when the procurement file contains such procurement documents as solicitation ads, bid abstracts, or price or rate quotations obtained from an adequate number of qualified sources in accordance with OMB Circular A-133 procurement requirements and the Common Rule.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the Program Office provided the following response:

Disagree. Attached are procurement documentations for the above transactions.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

The procurement documentation provided to us does not contain a written rationale for the vendor selection. Therefore, the finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-32
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 and Governmental Payment Management reporting requirements, the following due dates apply:

1. ACF 196 reports are due on January 31, April 30, July 31, and October 31.
2. Quarterly Financial Cash Transaction Reports SF 272 are due on February 14, May 15, August 14, and November 14.

Condition:

1. For all four ACF 196 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	01/31/01	07/19/01	170
2	04/30/01	07/19/01	80
3	07/31/01	12/11/01	134
4	10/31/01	12/11/01	41

2. For 2 (or 50%) out of 4 quarterly PMS 272 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	02/15/01	04/23/01	68
2	05/15/01	06/15/01	30

Cause:

There appears to be weak internal control procedures over ensuring that reports are submitted in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future grants to be delayed or withheld.

Prior Year Status:

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

Recommendation:

The Government of Guam should consider establishing a timetable for the submission of reports to the Federal Government and distributing such schedule to all responsible individuals. The status of reports should be reviewed by the respective supervisors, and periodic reminders as to report due dates should be issued.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-32, Continued
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Reporting
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-33
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all programmatic records, such as case files (including copies of birth certificates, social security cards, and application worksheets), should be maintained on file to substantiate eligibility determinations.

Condition:

Out of 45 items tested, we noted the following:

1. For 3 (or 7%), the Government of Guam did not provide the case file for case numbers 30-18199, 30-48888, and 30-45247.
2. For 6 (or 13%), no birth certificates and/or social security cards are on file for case numbers 30-45378, 30-24438, 30-45343, 30-41104, 30-48731, and 30-46641.
3. For 1 (or 2%), no application worksheet is on file to support the determination of eligibility for case number 30-45280.

Cause:

There appears to be weak record keeping controls.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements.

Prior Year Status:

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

Recommendation:

The Department of Public Health and Social Services should strengthen record keeping controls to ensure that case files are maintained on file for at least three years to substantiate expenditures.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-34
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Special Tests and Provisions – Income Eligibility and Verification System (IEVS)
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 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 2001, the Government of Guam did not utilize the Income Eligibility and Verification System

Cause:

It appears to be the Government of Guam's understanding that the data exchange with other federally assisted benefit programs is optional.

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 obtain written confirmation from the grantor agency as to whether participation in the Income Eligibility and Verification System is an option.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-35
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Special Tests and Provisions – Penalty for Refusal to Work
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, the State agency must reduce or terminate the assistance payable to the family for refusal to work subject to any good cause or other exemptions established by the State.

Condition:

For 11 (or 24%) out of 45 cases tested (i.e., case # 30-27599, 30-34374, 30-48731, 30-45343, 30-50965, 30-51705, 30-52162, 30-26231, 30-18072, 30-18095, and 30-80105), applicants who did not register for work were determined eligible.

Cause:

There appears to be a lack of internal controls over ensuring compliance with OMB Circular A-133 special tests and provisions requirements.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements. The grantor agency may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant for violation of this provision.

Recommendation:

The Government of Guam should establish internal controls to ensure that only applicants registered for work are approved eligible for benefits.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-36
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 eligibility requirements, a family must be "needy" (i.e., financially eligible according to the State's applicable income and resource criteria) in order to participate in the Program. Furthermore, verification of such financial eligibility should be documented in the case file.

Condition:

For 2 (or 4%) out of 45 cases tested (i.e., #30-47446 and 30-52167), no verification of the applicant's assets is documented on file.

Cause:

There appears to be weak internal controls over ensuring that each applicant's assets are verified to substantiate the financial eligibility determination.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that the assets of each applicant are verified and that such verification is documented on file to substantiate the eligibility determination.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-37
CFDA No.: 93.558
Program Name: Temporary Assistance For Needy Families
Area: Allowable Costs/Cost Principles – Records Retention
Questioned Costs: \$543,972

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as journal vouchers and attendant support, should be maintained on file to substantiate expenditures.

Condition:

For one (or 2%) out of 52 transactions tested, no journal voucher or other support could be located on file to substantiate the following:

<u>Account Number</u>	<u>Transaction #</u>	<u>Date</u>	<u>Amount</u>
1158.2001.201.B.1728.3102.000.0754	J010610853	September 2001	\$543,972

Cause:

There appears to be weak record keeping controls.

Effect:

Expenditures could be misstated. A questioned cost of \$543,972 exists.

Prior Year Status:

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

Recommendation:

The Department of Administration should strengthen record keeping controls to ensure that such documents as journal vouchers and attendant support are maintained on file to substantiate expenditures.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-38
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Enforcement of Support Obligation
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.33, the agency must maintain a system for (1) monitoring compliance with the support obligation; (2) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation; and (3) enforcing the obligation.

Condition:

For 2 (or 2%) out of 92 case files tested (i.e., #9365 and 13291), there is no documentation on file to indicate the enforcement of support obligations. Furthermore, based on discussions with Program personnel, Agency investigators identify a delinquency only when custodial parents complain about non-payment.

Cause:

It appears the system's capabilities to monitor and identify delinquent payments are not being utilized. Furthermore, due to the lack of manpower, employees are unable to manually track whether non-custodial parents are making payments as scheduled.

Effect:

The Government of Guam is in noncompliance with 45 CFR 302.33 enforcement requirements.

Prior Year Status:

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

Recommendation:

The Government of Guam should fully utilize system capabilities. On a monthly basis, responsible personnel should generate a delinquency report and inform investigators of delinquent cases for enforcement.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-39
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Locate Absent Parents
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3, the IV-D agency must attempt to locate all absent parents or sources of income and/or assets within 75 calendar days of determining that such search is necessary.

Condition:

For 17 (or 37%) out of 46 case files tested (i.e., #13336, 13383, 13453, 13539, 13568, 13898, 13912, 13985, 13987, 14094, 14098, 14139, 14277, 14314, 14374, 14381, and 14388), either there is no documentation on file to indicate an attempt to locate the absent parent or sources of income and/or assets, or the attempt did not occur within 75 calendar days.

Cause:

There appears to be weak internal controls over ensuring that operating procedures under 45 CFR 302.33 are followed. Furthermore, based on discussions with the agency, compliance with the required provisions of services is difficult due to limited staff and increasing caseloads.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3.

Prior Year Status:

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

Recommendation:

The Government of Guam should strengthen internal controls to ensure that the responsible personnel attempts to locate absent parents within 75 calendar days and properly documents such attempt on file in accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3. Furthermore, the Government of Guam should communicate staffing needs to the Grantor agency.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-40
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Establishment of Paternity
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303, the IV-D agency must attempt to establish paternity for children born out of wedlock.

Condition:

For 6 (or 13%) out of 46 case files tested (i.e., # 13898, 13912, 13985, 13987, 14098, and 14139), there is no documentation on file to indicate whether any action was taken to establish paternity.

Cause:

There appears to be weak internal controls over ensuring that the required attempts to establish paternity are performed and documented. Furthermore, based on discussions with the agency, compliance is difficult due to limited staff and increasing caseloads.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.

Prior Year Status:

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

Recommendation:

The Government of Guam should strengthen internal controls to ensure that the responsible personnel attempt to establish paternity in accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-41
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Procurement and Suspension and Debarment
Questioned Costs: \$103,593

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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 25%) out of 12 transactions, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
12/20/00	27161	A7336001	C010600130	\$34,093
02/01/01	30915	A7336001	C010600130	37,000
02/28/01	33513	A7336001	C010600130	<u>32,500</u>
				<u>\$103,593</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$103,593 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurement is documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-42
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Allowable Costs/Cost Principles
Questioned Costs: \$45,497

Criteria:

In accordance with OMB Circular A-133 and A-87 allowable costs/cost principles requirements, actual claims paid to or on behalf of employees or former employees for workers' compensation are allowable in the year of payment provided (1) the governmental unit follows a consistent costing policy and (2) they are allocated as a general administrative expense to all activities of the governmental unit.

Condition:

For one (or 4%) out of 23 transactions, the Government of Guam posted journal voucher number J010661567 on August 21, 2001, charging \$45,497 to the Federal program for 100% of a worker's compensation claim. The expenditure is allocated 100% as contractual services of the Federal program, and does not appear to have been allocated as a general administrative expense to all activities of the governmental unit as required.

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 and A-87 allowable costs/cost principles pertaining to claims for worker's compensation.

Effect:

The Government of Guam may be in noncompliance with OMB Circular A-133 and A-87 allowable costs/cost principles. The portion of the worker's compensation allocable to the Federal program cannot be determined; therefore, the total amount of \$45,497 charged to the Program is a questioned cost.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that actual claims for worker's compensation are charged to the Federal program in accordance with OMB Circular A-133 and Circular A-87 allowable costs/cost principles requirements.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-43
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.32, amounts collected by the Government of Guam must be sent to the family within 2 business days, and collections as a result of Federal income tax refund offset must be sent to the family within 30 calendar days of the date of initial receipt by the IV-D agency, unless Guam Law requires a post-offset appeal process. Furthermore, if the payment is undeliverable due to address changes, attempts should be made to contact the custodial parent in a timely manner.

Condition:

During fiscal year 2001, when a financial service organization was contracted to manage distribution of child support checks, we noted boxes of undeliverable mailings, which date back to 1995.

Cause:

There appears to be a lack of internal controls over ensuring that undeliverable child support mailings are transmitted back to the agency for investigation of current addresses and for reissuance.

Effect:

The Government of Guam appears to be in noncompliance with 45 CFR 302.32. Furthermore, check distribution data could be overstated, and the risk is high for the misplacement or misappropriation of checks.

Recommendation:

The Government of Guam should establish policies and procedures over ensuring that undeliverable child support mailings are transmitted back to the agency for investigation of current addresses and for reissuance.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-44
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.32, amounts collected by the Government of Guam must be sent to the family within 2 business days, and collections as a result of Federal income tax refund offset must be sent to the family within 30 calendar days of the date of initial receipt by the IV-D agency, unless Guam Law requires a post-offset appeal process. Furthermore, if the payment is undeliverable due to address changes, attempts should be made to contact the custodial parent in a timely manner.

Condition:

For one (or 4%) out of 25 collections tested (i.e., case # 6580), the non-custodial parent paid \$1,076 on March 29, 2001; however, as of our field work date in October 2002, such payment has not been sent to the family and is placed on hold. Furthermore, there is no documentation on file to indicate whether attempts have been made to contact the custodial parent.

Cause:

There appears to weak internal controls over ensuring that address changes are obtained from custodial parents in a timely manner.

Effect:

The Government of Guam appears to be in noncompliance with 45 CFR 302.32. Furthermore, custodial parents are not receiving child support.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that address changes are obtained from the custodial parents in a timely manner and that payments are sent to the custodial parents in accordance with 45 CFR 302.32.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-45
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.32, amounts collected by the Government of Guam must be sent to the family within 2 business days.

Condition:

For one (or 4%) out of 25 collections tested (i.e., case # 8694), the non-custodial parent paid \$15,983 on March 19, 2001; however, as of our fieldwork date in October 2002, the custodial parent has not received the child support payment. It appears the check has been undistributed for about a year and seven months. Additionally, as of September 30, 2001, a total of \$22,500 had been received from case # 8694 and remains undistributed to the foster family(ies).

Cause:

The cause of the problem is system constraints. The case described above represents a foster care case that is assigned to CPS, DPHSS (Child Protective Services/Department of Public Health and Social Services). The APASI system can manage a maximum of only 10 such CPS, DPHSS cases. Since there were more than 10 cases assigned to CPS, DPHSS when the referenced case was opened, the system placed the disbursements on hold.

Effect:

The Government of Guam appears to be in noncompliance with 45 CFR 302.32. Furthermore, custodial parents are not receiving child support.

Recommendation:

The Government of Guam should establish policies and procedures for circumventing system constraints that are contrary to Program objectives. Each existing case assigned to CPS, DPHSS should be assigned a new custodial ID #, and corresponding payment histories should be transferred to the new ID #. Thereafter, the old CPS, DPHSS case should be closed.

Auditors' Response:

Currently, new custodial ID#s are assigned for new cases involving Child Protection Service; however, older cases have not been reconstructed.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-46
CFDA No.: 93.563
Program Name: Child Support Enforcement
Area: Special Tests and Provisions – Provision of Services
Questioned Costs: \$0

Criteria:

In accordance with 45 CFR 302.33, the Government of Guam must provide services, such as establishing paternity and/or enforcing support obligations, to any individual who files an application for services with the IV-D agency.

Condition:

For 5 (or 11%) out of 46 case files tested (i.e., # 13624, 13881, 14135, 14335, and 14358) there is no documentation on file to indicate whether any services were provided after the case file was opened.

Cause:

There appears to be weak internal controls over ensuring that operating procedures under 45 CFR 302.33 are followed. Furthermore, based on discussions with the Government of Guam, compliance with the required provision of services is difficult due to limited staff and increasing caseloads.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with 45 CFR 302.33.

Prior Year Status:

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

Recommendation:

The Government of Guam should establish and implement internal controls to ensure that operating procedures under 45 CFR 302.33 are followed. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-47
CFDA #: 93.563
Program Name: Child Support Enforcement Program
Area: Allowable Costs/Cost Principles
Questioned Costs: \$46,071

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For 13 (or 87%) out of 15 items tested, aggregating \$53,042 of \$1,911,778 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
172446	09/18/01	057408978	\$ 2,470
PPE 02/24/01 RID 13555		586728020	1,328
PPE 03/24/01 RID 13876		586721615	1,472
PPE 04/07/01 RID 14016		568722469	3,529
PPE 04/21/01 RID 14195 GC		261749040	325
PPE 05/05/01 RID 14335		462742194	3,320
PPE 06/02/01 RID 14576		057408978	2,389
PPE 10/21/00 RID 2174			20,358
PPE 10/21/00 RID 2174 GC			5,128
PPE 11/04/00 RID 2274		586034168	1,328
PPE 12/02/00 RID 2478		586644072	2,090
PPE 12/16/00 RID 12816		261749040	1,544
PPE 12/16/00 RID 12816 GC		292449708	790
			<u>\$46,071</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and Common Rule records retention requirements. A questioned cost of \$46,071 exists.

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 strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number: 2001-48
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 eligibility requirements and the Common Rule, programmatic records, such as the case file (including the mayor's certification, employment verification, monthly child care certificate, birth certificate, picture identification of head of household, social security cards, and immunization records) should be maintained on file for at least three years.

Condition:

Out of 45 individual case files, we noted the following:

1. For 2 cases (or 4%) (i.e., # 70-00201 and 70-00725) there is no mayor's certification, birth certificate, photo identification, check stubs, and/or social security card for the head of household and/or dependents in the file.
2. For 19 cases (or 42%) (i.e., # 70-00805, 70-01188, 70-00281, 30-46629, 30-45378, 70-00252, 30-60608, 70-01562, 70-01469, 70-01167, 70-00849, 70-01205, 70-00528, 30-35829, 30-45666, 70-01328, 70-00930, 30-50834, and 30-49810), there is no monthly child care certification and/or child care calendar in the file for the entire or partial certification period.
3. For 4 cases (or 9%) (i.e., 30-42928, 70-00121, 30-50454, and 70-01116), the file contained no FY 2001 documents.
4. For 7 (or 16%) (i.e., # 30-48279, 30-46629, 60-60658, 70-00828, 30-45666, 30-49810, and 30-42375), there is no child care work sheet in the file.

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements and the Common Rule records retention requirements.

Prior Year Status:

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

Recommendation:

The CCDF Program should strengthen internal control policies and procedures to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 special tests and provision requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number: 2001-49
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements, quarterly reports (i.e., ACF-696) are due on January 30, April 30, July 30 and October 30.

Condition:

For 4 (or 100%) out of 4 quarterly ACF-696 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	01/30/01	02/23/01	24
2	04/30/01	05/15/01	15
3	07/30/01	08/15/01	16
4	10/30/01	01/03/02	65

Cause:

There appears to be weak internal control procedures over ensuring that reports are submitted in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future grants to be delayed or withheld.

Prior Year Status:

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

Recommendation:

Government of Guam should strengthen internal control procedures to ensure that ACF-696 reports are submitted in a timely manner.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number: 2001-50
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Period of Availability
Questioned Costs: \$65,185

Criteria:

In accordance with OMB Circular A-133 period of availability of Federal funds requirements, grant 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. There are unexpended/unobligated fund balances from grants for fiscal years 1998 and 1999, whose periods of availability ended prior to the fiscal year ended September 30, 2001. The aggregate total of unexpended/unobligated balances is \$194,291, as follows:

<u>Grant year</u>	<u>Obligation End of Grant</u>	<u>Unexpended/ Unobligated Balance At 9/30/01</u>
1998	1999	\$ 9,866
1999	2000	<u>184,425</u>
	Total	\$ <u>194,291</u>

2. There are current year expenditures of \$65,185 from a fiscal year 1998 grant, whose liquidation period ended September 30, 2000.

Cause:

1. There appears to be a lack of internal controls over ensuring that unexpended balances are deappropriated/deencumbered after the funds' periods of availability have expired.
2. There appears to be a lack of internal controls over ensuring that no expenditures are incurred for funds after the funds' periods of availability have expired.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 period of availability of Federal funds requirements. There is a potential for future grant award amounts to be decreased. Furthermore, a questioned cost of \$65,185 exists.

Prior Year Status:

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

Recommendation:

The Government of Guam should establish and implement internal controls to ensure that an employee is designated the responsibility of reviewing grant transactions at the end of the fund's period of availability, of accounting for unobligated balances, and of deappropriating/deencumbering such expired balances.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number: 2001-50, Continued
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Period of Availability
Questioned Costs: \$65,185

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number: 2001-51
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 eligibility requirements and the Guam Department of Public Health and Social Services (DPHSS) Child Care and Development Fund Plan Section 4.1, disposition of an application must not exceed ten (10) calendar days following date of application.

Condition:

Out of 45 individual case files, we noted the following:

1. For 12 cases (or 27%) (i.e., 30-48279, 70,00281, 30-46629, 30-49356, 70-00725, 30-51743, 70-01205, 70-00528, 30-35829, 70-00930, 30-49810, and 30-42375), the disposition of the application for child care did not have a signature noting approval or disapproval.
2. For 8 cases (or 18%) (i.e., 70-00366, 30-60608, 70-01562, 70-01545, 70-01130, 70-01167, 70-00762, and 70-01061), the disposition of the child care application exceeded 10 days.
3. For 12 cases (or 27%) (i.e., 70-00083, 70-01540, 70-01188, 70-00201, 30-45378, 70-00252, 70-00373, 70-00733, 60-60658, 30-45666, 70-01328, 30-50834), the child care application was not on file.

Cause:

There appears to be weak internal controls over ensuring that each application disposition is properly endorsed and transpires within 10 days.

Effect:

There is no known effect on the financial statements as a result of this condition; however, Government of Guam is in noncompliance with OMB Circular A-133 eligibility requirements and the DPHSS Child Care and Development Fund Plan.

Prior Year Status:

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

Recommendation:

Government of Guam should strengthen internal controls to ensure all application dispositions are properly endorsed and transpired within 10 days in accordance with OMB Circular A-133 eligibility requirements and the DPHSS Child Care and Development Fund Plan.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number: 2001-52
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Earmarking
Questioned Costs: \$568,421

Criteria:

In accordance with OMB Circular A-133 earmarking requirements and grant award terms and conditions, specific amounts were earmarked and must be spent, as follows: \$36,426 for child care resource and referral and school-aged child care activities (R&R), \$190,513 for infant and toddler quality improvement (I/T), and \$328,962 for quality expansion (QE). Furthermore, the Government of Guam must spend at least 4% of CCDF funds expended on quality and availability activities (Q&A).

Condition:

The Government of Guam did not meet earmarking requirements, as follows:

	<u>R&R</u>	<u>I/T</u>	<u>QE</u>	<u>Q&A</u>	<u>Total</u>
Required earmark	\$ 36,426	\$ 190,513	\$ 328,962	\$ 124,372	
Expenditures per ACF-696	<u>9,000</u>	<u>0</u>	<u>51,426</u>	<u>51,426</u>	
Deficiency	\$ <u>27,426</u>	\$ <u>190,513</u>	\$ <u>277,536</u>	\$ <u>72,946</u>	<u>\$568,421</u>

Cause:

There appears to be a lack of internal controls over ensuring compliance with earmarking requirements.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 earmarking requirements and grant award terms and conditions. It appears the earmarking deficiency was expended as assistance in FY 2001. Therefore, a questioned cost of \$568,421 exists.

Prior Year Status:

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

Recommendation:

The Government of Guam should establish internal controls to ensure that earmarked funds are expended for the specified activities in accordance with OMB Circular A-133 earmarking requirements and grant award terms and conditions.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number: 2001-53
CFDA No.: 93.575
Program Name: Child Care and Development Funds
Area: Subrecipient monitoring
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 subrecipient monitoring requirements, the pass-through entity must monitor the subrecipient for compliance with the subrecipient agreement.

Condition:

Subrecipient monitoring activities, such as onsite visits, desk reviews, and limited scope audits, were not performed in a timely manner.

Cause:

There appears to be lack of internal controls over subrecipient monitoring.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Government of Guam is in noncompliance with OMB Circular A-133 subrecipient monitoring requirements.

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 establish and implement internal controls in a timely manner to ensure that subrecipients are monitored in accordance with OMB Circular A-133 subrecipient monitoring requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-54
CFDA No. 93.667
Program Name: Social Services Block Grant (SSBG)
Area: Period of Availability
Questioned Costs: \$21,826

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, SSBG funds must be expended by the State in the fiscal year allotted or in the succeeding fiscal year.

Condition:

1. There are unexpended balances from grant years 1998 and 2000, whose period of availability ended prior to the fiscal year ended September 30, 2001. The aggregate total of unexpended balances is \$173,989, as follows:

<u>Grant Year</u>	<u>Year Period of Availability Ended</u>	<u>Unexpended Balance at 09/30/01</u>
1998	1999	\$ 1,268
2000	2001	<u>172,721</u>
		<u>\$ 173,989</u>

2. The period of availability for the 1999 grant award ended on September 30, 2000; however, total 1999 grant funds of \$21,826 were expended in FY 2001 after the period of availability.

Cause:

There appears to be weak internal controls over ensuring that SSBG funds are not expended after the period of availability.

Effect:

A questioned cost of \$21,826 exists.

Recommendation:

The Government of Guam should strengthen internal controls to ensure that SSBG funds are not expended after the period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deobligate unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

We have begun research in preparation of a response, but will not be able to meet your deadlines as provided. Further research will require staff to conduct work over at the Department of Administration, Accounting Division, in order to verify information with the Oracle system. At this time we are officially requesting authorization and approval from the Director of Administration to allow staff to work on their premises.

In view of the foregoing, we would like to request for an extension in submission of responses on or before February 16, 2003. We will keep you informed should we require additional time.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-55
CFDA No. 93.667
Program Name: Social Services Block Grant (SSBG)
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements and grant terms and conditions, grantees are required to submit annual financial status reports, SF-269A's. The first report is due ninety days after the end of the year; i.e., December 31, 2001. The final report is due December 30, 2002.

Condition:

No federal financial reports were submitted for FY 2001.

Cause:

Based on discussions with the report preparer at the Department of Administration, no reports were submitted due to difficulties surrounding the implementation of the financial management system.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 reporting requirements and grant terms and conditions. This failure to submit reports may be the basis for withholding some \$622,894 in financial assistance payments, suspension or termination of funding.

Recommendation:

The responsible personnel should immediately request an extension from the Grantor agency and immediately submit the required reports.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

We have begun research in preparation of a response, but will not be able to meet your deadlines as provided. Further research will require staff to conduct work over at the Department of Administration, Accounting Division, in order to verify information with the Oracle system. At this time we are officially requesting authorization and approval from the Director of Administration to allow staff to work on their premises.

In view of the foregoing, we would like to request for an extension in submission of responses on or before February 16, 2003. We will keep you informed should we require additional time.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-56
CFDA No. 93.667
Program Name: Social Services Block Grant (SSBG)
Area: Procurement and Suspension and Debarment
Questioned Costs: \$27,160

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the Government of Guam 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 1 (or 33%) out of 3 transactions, aggregating \$38,305 of \$1,640,296 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
08/17/01	45835	E2318101	C000600303	\$ 13,580
04/12/01	37434	E2318101	C000600303	<u>13,580</u>
				<u>\$ 27,160</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$27,160 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurement transactions are documented in sufficient detail. The procurement officer should approve purchase orders to procure goods/services from a particular vendor only when the procurement file contains such procurement documents as solicitation ads, bid abstracts, or price or rate quotations obtained from an adequate number of qualified sources in accordance with OMB Circular A-133 procurement requirements and the Common Rule.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

We have begun research in preparation of a response, but will not be able to meet your deadlines as provided. Further research will require staff to conduct work over at the Department of Administration, Accounting Division, in order to verify information with the Oracle system. At this time we are officially requesting authorization and approval from the Director of Administration to allow staff to work on their premises.

In view of the foregoing, we would like to request for an extension in submission of responses on or before February 16, 2003. We will keep you informed should we require additional time.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-57
CFDA No. 93.667
Program Name: Social Services Block Grant (SSBG)
Area: Allowable Costs/Cost Principles
Questioned Costs: \$40,879

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial and programmatic records, such as employee personnel action forms, timesheets, and sick/annual leave service cards should be maintained on file for at least three years to substantiate expenditures.

Condition:

For all 43 (or 100%) of the items tested, aggregating \$40,879 of \$1,456,493 in total Program payroll expenditures, the Government of Guam did not provide employee personnel action forms, timesheets, and sick/annual leave service cards for the following:

	<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
1.	179742	09/30/01	586074506	\$ 751
2.	2001261514627200000_GC		27200000	8,383
3.	20012615146Z0025266_GC		Z0025226	1,070
4.	20012615146B1096041_GC		B1096041	492
5.	PPE 02/10/01 RID 13455 GC		351482878	262
6.	PPE 02/10/01 RID 13455 GC		536984280	280
7.	PPE 02/10/01 RID 13455 GC		576130313	441
8.	PPE 02/24/01 RID 13555 GC		586909501	280
9.	PPE 02/24/01 RID 13555 GC		351482878	262
10.	PPE 02/24/01 RID 13555 GC		586057059	261
11.	149742	06/21/01	586689840	1,924
12.	148152	06/20/01	586072499	1,290
13.	148148	06/20/01	586039861	575
14.	148149	06/20/01	576130313	550
15.	148151	06/20/01	586071803	507
16.	148176	06/20/01	586765494	657
17.	148181	06/20/01	586848151	665
18.	148182	06/20/01	610464171	794
19.	148169	06/20/01	586700061	749
20.	148167	06/20/01	586687400	770
21.	148155	06/20/01	586094084	773
22.	148142	06/20/01	351482878	1,017
23.	148162	06/20/01	586662438	1,059
24.	148170	06/20/01	586700343	1,059
25.	148165	06/20/01	586666553	1,092
26.	148143	06/20/01	536984280	1,011
27.	148156	06/20/01	586411805	995
28.	148158	06/20/01	586625026	1,195
29.	148174	06/20/01	586762905	316
30.	148175	06/20/01	586764370	265
31.	148154	06/20/01	586077201	296
32.	148171	06/20/01	586701640	893

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-57, Continued
CFDA No. 93.667
Program Name: Social Services Block Grant (SSBG)
Area: Allowable Costs/Cost Principles
Questioned Costs: \$40,879

Condition, Continued:

	<u>Reference Number</u>	<u>Date</u>	<u>Employee Number</u>	<u>Amount</u>
33.	148166	06/20/01	586686752	853
34.	148173	06/20/01	586744609	830
35.	148153	06/20/01	586074506	921
36.	148178	06/20/01	586789485	949
37.	148168	06/20/01	586689840	955
38.	148157	06/20/01	586609061	788
39.	148160	06/20/01	586625829	1,075
40.	148179	06/20/01	586800574	1,140
41.	148172	06/20/01	586705683	1,178
42.	148145	06/20/01	575865914	789
43.	148164	06/20/01	586666010	467
				<u>\$40,879</u>

Cause:

There appears to be weak internal controls over record keeping.

Effect:

The Government of Guam is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule records retention requirements. A questioned cost of \$40,879 exists.

Recommendation:

The Government of Guam should strengthen record keeping controls to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. Also, the Government of Guam should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 20, 2003, the Program Office provided the following response:

We have begun research in preparation of a response, but will not be able to meet your deadlines as provided. Further research will require staff to conduct work over at the Department of Administration, Accounting Division, in order to verify information with the Oracle system. At this time we are officially requesting authorization and approval from the Director of Administration to allow staff to work on their premises.

In view of the foregoing, we would like to request for an extension in submission of responses on or before February 16, 2003. We will keep you informed should we require additional time.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-58
CFDA No.: 93.778
Program Name: Medical Assistance Program (Medicaid)
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 Subpart C Section (a).310, the auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and where appropriate, cash flows for the fiscal year audited.

Condition:

Expenditures reported in the HCFA 64 Report did not agree with the accounting records (e.g., financial management system) and are overreported, as follows:

	<u>Per HCFA</u>	<u>Per FMS</u>	<u>Difference</u>
Expenditures	\$10,699,892	\$10,433,015	\$ 266,877

Cause:

It appears no reconciliation of the report and FMS was performed.

Effect:

There is no known effect on the financial statements as a result of this condition. However, expenditures are overreported in the HCFA 64 Report.

Recommendation:

The Government of Guam should have an independent review performed on the financial management system. The independent reviewer should examine supporting documents for Expenditures to ensure accuracy and completion of the HCFA 64 report.

Auditee Response and Corrective Action Plan:

In a letter dated January 3, 2003, the Program Office provided the following response:

During the HCFA 64 reporting process in FY2001, the Department of Administration (DOA) Oracle system was never up to date to use as reliable support for federal expenditures reporting. Entire Government of Guam staff was having difficulty processing, recording, and retrieving transactions in Oracle. In addition, during that fiscal year, there was a mandate to phase out the Oracle System and begin processing using the FMS AS400 System instead. This made tracking and reconciliation extremely difficult for all government agencies at that time. The Medicaid Program had to rely mainly on its own ledgers for reporting until Oracle was updated.

Attached is a financial statement (FMS Trial Balance – Detail) that was recently provided to us by Deloitte and Touche. According to this statement, DPHSS Medicaid – Payments/Expenditures for FY2001 amounts to \$10,457,615.84. This reconciles to the DOA Oracle Summary Balance statement that was printed on December 2002 by Medicaid staff (see attached). Based on both statements, the amount of \$10,433,015.00 stated on the preliminary findings is in error.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-58, Continued
CFDA No.: 93.778
Program Name: Medical Assistance Program (Medicaid)
Area: Reporting
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

The Oracle Summary Balance statement printed in December 2002 by Medicaid staff indicate that \$503,528.53 of Medicaid payments were erroneously reversed and charged to the Medically Indigent Program in September 2001 reducing Medicaid payments to \$10,457,615.84. A review of DOA Oracle Journal Details indicate these payments are Medicaid batches 1000319, 1000325, 1000327, and 1000331. Correcting these entries will restore DOA records of Medicaid expenditures to \$10,961,144.37. Based on this, the Guam Medicaid Program had actually under reported expenditures on the HCFA 64 federal report in the amount of \$261,252.37.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditor Response:

The cited amount of \$10,433,015 is accurate in that it represents total program expenditures, including payroll, supplies, contractual expenses, benefit payments and downward adjustments, charged to project 1156, DPHSS Medicaid – Payments. The amount of \$10,457,616 represents only benefit payments. Although the ultimate amount of the variance is debatable, it is apparent that expenditures per the HCFA 64 Report and the financial management system do not agree. Therefore, this finding remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-59
CFDA No.: 93.778
Program Name: Medical Assistance Program (Medicaid)
Area: Special Tests and Provisions – ADP Risk Analysis
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions for ADP risk analyses, the State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS onsite reviews (45 CFR section 95.621).

Condition:

During fiscal year 2001, the Government of Guam did not conduct an ADP system security review.

Cause:

There appears to be a lack of internal controls over ensuring compliance with OMB Circular A-133 special tests and provisions for ADP risk analyses.

Effect:

The Government of Guam is noncompliance with OMB Circular A-133 special tests and provisions for ADP risk analyses.

Recommendation:

The Department of Public Health and Social Services should implement policies and regulations to ensure compliance with OMB Circular A-133 special tests and provisions for ADP risk analyses.

Auditee Response and Corrective Action Plan:

In a letter dated January 3, 2003, the Program Office provided the following response:

Based on your preliminary findings, we concur that a periodic risk analyses for the current system was not performed by this department during the FY2001. These are same issues cited in prior fiscal years and is due to the department's development of a replacement computer system. The system in question was incomplete and therefore no risk analyses could be performed as the development and user acceptance testing was still in effect.

Presently, period risk analyses is performed by the Department of Public Health & Social Services (DPHSS), Systems and Programming Group (SPG). In an effort to safeguard the system, monitoring of the department's computer network is performed daily. When necessary, technical staff troubleshoots the computer systems. SPG provide and support an inter-departmental network security. In addition, the Division of Public Welfare utilizes an Oracle database with a three (3) tiered architecture utilizing Pentium II. Other database Systems include, but are not limited to SQL and MS Office ACCESS. SPG staff have received intense training in the aforementioned fields.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-60
CFDA No.: 93.778
Program Name: Medical Assistance Program (Medicaid)
Area: Allowable Costs/Cost Principles – Records Retention
Questioned Costs: \$464,242

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the 45 CFR Part 95, all financial records, such as check copies/cancelled checks, payment requests, receiving reports, vendor invoices, purchase orders, contracts, and other attendant support, should be maintained on file to substantiate expenditures.

Condition:

For 8 (or 13%) out of 60 transactions tested, no check copies/cancelled checks, payment requests, receiving reports, vendor invoices, purchase orders, contracts, and/or other attendant support could be located on file to substantiate the following:

<u>Transaction #</u>	<u>Date</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
29690	01/16/01	G0742101	D011760488	\$ 153,519
38669	05/04/01	G0742101	D011761622	134,421
40805	06/01/01	G0742101		25,311
40805	06/01/01	G0742101		11,431
40805	06/01/01	G0742101		25,311
40805	06/01/01	G0742101		24,494
40805	06/01/01	G0742101		42,456
29690	01/16/01	G0742101		47,299
				<u>\$ 464,242</u>

Cause:

There appears to be weak record keeping controls.

Effect:

Expenditures could be misstated. A questioned cost of \$464,242 exists.

Prior Year Status:

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

Recommendation:

The Department of Administration should strengthen record keeping controls to ensure that such documents as check copies/cancelled checks, payment requests, receiving reports, vendor invoices, purchase orders, contracts, journal vouchers and attendant support, are maintained on file to substantiate expenditures. Also, the Government of Guam should provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

In a letter dated January 3, 2003, the Program Office provided the following response:

As per discussion with Deloitte and Touche auditors and Medicaid Program Management Analyst, aforementioned citation is on Department of Administration's lack of record keeping control and not with the Department of Public Health and Social Services Medicaid Program. Please refer response to Director, Department of Administration.

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-61
CFDA No.: 10.551
Area: Fund 201 - Inventory
Questioned Costs: \$0

Criteria:

The food stamp inventory balance per the financial management system and per the physical inventory schedule should be reconciled.

Condition:

The food stamp inventory balance per the financial management system is recorded at \$12,183,823; however, the balance per the Food Stamp Coupon Physical Inventory schedule for September 2001 is \$7,403,409.

Cause:

There appears to be a lack of internal controls over reconciling the food stamp inventory balances per the financial management system and the physical inventory schedule.

Effect:

Food stamp inventory may be overstated by \$4,780,414.

Recommendation:

The Department of Administration should establish and implement internal controls to ensure that the food stamp inventory balance per the financial management system and per the physical inventory schedule are reconciled. At the end of the fiscal year, the responsible personnel should obtain the Food Stamp Coupon Physical Inventory schedule from the Department of Public Health and Social Services, Food Stamp Issuance Unit, and adjust the financial management system inventory balance to reflect the physical inventory balance.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

Auditors' Response:

During audit fieldwork, the Department of Administration recorded an audit adjustment to properly reflect the September 2001 physical inventory balance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-62
CFDA No.: All
Area: Subrecipient monitoring
Questioned Costs: \$0

Criteria:

In accordance with the Single Audit Act, OMB Circular A-133, and the Common Rule, when in a single year, a recipient of Federal awards passes \$300,000 or more of such assistance in a single subgrant year through to one or more recipients, the primary recipient is responsible for determining whether the subrecipient expends that assistance in accordance with applicable laws and regulations.

Condition:

The Government of Guam does not have procedures to establish the existence of subrecipients and did not ensure that all required independent audits of its subrecipients were performed and did not perform appropriate monitoring procedures to ensure financial and federal compliance with laws and regulations. Our audit of the Government of Guam was not expanded to include testing of subrecipients' records for compliance with the applicable provisions of OMB Circular A-133 compliance requirements.

Cause:

The Government of Guam has not established internal control policies and procedures to identify and monitor its subrecipients and ensure subrecipient compliance with applicable federal laws and regulations.

Effect:

The effect of this condition is potential noncompliance with the Single Audit Act, OMB Circular A-133, and the Common Rule.

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 establish internal control policies and procedures to ensure that subrecipients are specifically identified. The Government should design procedures that are sufficient to determine a subrecipient's compliance with applicable federal laws and regulations. Financial operations of subrecipients related to the federal awards should be subjected to timely and periodic audits, including OMB Circular A-133. If such procedures are not designed, the Government should develop alternative procedures for identifying and monitoring its subrecipients.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-63
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 a physical inventory of its equipment. Furthermore, the Government of Guam has not established uniform maintenance procedures designed to keep equipment in good condition.

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 its tagging of all equipment, it will not be able to conduct a physical inventory. With respect to uniform maintenance procedures, it is unknown as to why the Government has as of yet not established such procedures.

Effect:

The Government is in noncompliance with Federal regulations. Furthermore, fixed asset balances could be misstated.

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 its tagging of all equipment and conduct a physical inventory immediately thereafter. In addition, uniform maintenance procedures should be made a part of the Government's fixed asset management system.

Auditee Response and Corrective Action Plan:

In a letter dated February 7, 2003, the Department of Administration provided a general response. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding No.: 2001-64
CFDA No.: All
Area: Cash
Questioned Costs: \$0

Criteria:

Electronic fund transfers received by the Government of Guam should be identified and properly accounted for in a timely manner.

Condition:

Throughout fiscal year 2001, the Federal Government electronically transferred reimbursements to the Government of Guam. At the time of transfer, such receipts were recorded in deferred revenue accounts in the General Fund. After the fiscal year ended, several post-closing entries, aggregating \$32,930,569, were recorded to reduce Fund 201 receivables from Federal agencies.

Cause:

There is a lack of internal controls over ensuring that bank reconciliations are performed in a timely manner. Furthermore, it appears that staff is inexperienced in identifying Federal receipts.

Effect:

Receivable balances from Federal agencies are not updated in a timely manner. Therefore, Federal receivables could be overstated.

Recommendation:

The Government of Guam should establish and implement internal controls to ensure that bank reconciliations are performed in a timely manner. Furthermore, the Government of Guam should coordinate with the grantor agencies and establish electronic fund transfer codes that will enable personnel to match cash receipts with specific requests for reimbursements or advances.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the Department of Administration provided the following response:

The Department of Administration concurs with the finding and recommendation. While DOA has performed numerous reconstruction of the subsidiary ledgers and other necessary reconciliation efforts we were unsuccessful at achieving all of the goals as required. A detailed workplan is now in place to prioritize the work load. In addition, efforts have been made to ensure that the issue with the electronic interfaces with the accounting information system to the banks system interface externally. We are also in the process of requesting written confirmations from the respective grantor agencies to assist us with our reconciliation procedures. As a reminder this reconciliation procedure is only for the audit period and prior year. This is as a result of two events that occurred, first our systems change to and from the Oracle software application and second, from the transfer of the most senior employee within that branch. Lastly, if outside personnel can be detailed to the Division of Accounts to perform additional procedures related to all advances and uncollectibility accounts will be favorable. This task is assigned to the Deputy Controller as the project lead.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-65
CFDA No.: All
Area: Cash Management
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 cash management requirements, the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam must be minimized.

Condition:

A total of \$10,072,718 in cash advances related to grant years 1990 through 2000 is recorded as the beginning balance in the FGIA (Federal Grants In-Aid) Advances-Governor's Office account and was not applied to expenditures in FY 2001, as follows:

<u>Government of Guam Agency/Department</u>	<u>Balance</u>
Bureau of Budget & Management Research	\$ 21,586
Civil Service Commission	11,716
Administration	174,789
Revenue and Taxation	85,921
Bureau of Planning	1,382,902
Public Works	2,236,135
Law	402,817
Police/Public Safety	458,456
Corrections	150,307
Commerce	114,416
Agriculture	167,373
Public Health and Social Services	121,957
Library and Museum	108,996
Education	1,503,694
Youth Affairs Bureau	130,891
Guam Environmental Protection Agency	19,356
Mental Health & Substance Abuse	88,313
Labor	131,409
Parks and Recreation	437,837
Vocational Rehabilitation	42,421
Civil Defense	124,687
Mayor's Council	1,427,386
Land Management	38,336
Customs and Quarantine	13,266
Guam Museum	11,754
Military Affairs	112,206
Guam Council on the Arts & Humanities	2,778
Guam Fire Department	199,400
Not-For-Profit Organizations	16,035
Miscellaneous Entities (Autonomous)	<u>335,578</u>
Total Advances at October 1, 2000	<u>\$10,072,718</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding No.: 2001-65, Continued
CFDA No.: All
Area: Cash Management
Questioned Costs: \$0

Cause:

There appears to be a lack of internal controls over ensuring that the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam is minimized.

Effect:

Accounts receivable from Federal agencies could be overstated. Also, the Government of Guam may be in noncompliance with OMB Circular A-133 cash management requirements and may be required to remit the advances to the respective grantor agencies.

Prior Year Status:

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

Recommendation:

The Government of Guam should establish internal controls to ensure that the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the Government of Guam is minimized. For existing advances, the responsible personnel should prepare a detailed listing of all balances and corresponding grant programs. Furthermore, the responsible personnel should analyze the schedule of accounts receivable from Federal agencies and determine whether the existing advances should be applied against the recorded receivables. Moreover, for future receipts of Federal cash advances, the responsible personnel should notify the respective program coordinator of such receipt to ensure immediate expenditure of such advances in accordance with OMB Circular A-133 cash management requirements.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the Department of Administration provided the following response:

The Department of Administration concurs with the finding and recommendation. While DOA has performed numerous reconstruction of the subsidiary ledgers and other necessary reconciliation efforts we were unsuccessful at achieving all of the goals as required. A detailed workplan is now in place to prioritize the work load. In addition, efforts have been made to ensure that the issue with the electronic interfaces with the accounting information system to the banks system interface externally. We are also in the process of requesting written confirmations from the respective grantor agencies to assist us with our reconciliation procedures. As a reminder this reconciliation procedure is only for the audit period and prior year. This is as a result of two events that occurred, first our systems change to and from the Oracle software application and second, from the transfer of the most senior employee within that branch. Lastly, if outside personnel can be detailed to the Division of Accounts to perform additional procedures related to all advances and uncollectibility accounts will be favorable. This task is assigned to the Deputy Controller as the project lead.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-66 – Debt Service Funds – All Funds

Criteria: Bond covenants for all Government of Guam bonds stipulate that the “Government must furnish to each major national investment rating service which initially rated the bonds and to each bondholder, within one year after the close of the fiscal year, complete financial statements with respect to the General fund and funds established pursuant to the bond agreement, prepared in accordance with GAAP.”

Condition: The Government of Guam has not yet furnished the bond rating agency with the latest copy of the comprehensive annual financial report (CAFR) prepared in accordance with GAAP.

Cause: The financial statements have yet to be completed.

Effect: There is no material financial statement impact as a result of this condition; however, a violation of bond covenants appears to have occurred.

Recommendation: The terms and conditions of the bond indenture should be complied with. Financial statements should be compiled and provided to investment rating services responsible for rating the bonds of the general government in conformity with the bond indenture agreements.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-67 - Enterprise Fund – Accounts Receivable

Criteria: Detailed supporting schedules should be maintained on file to substantiate revenue and accounts receivable balances.

Condition: For the solid waste management fund, no substantiating detail schedule was provided to support the accounts receivable balance of approximately \$2.5 million.

Cause: It appears that no supporting schedule was prepared for this account.

Effect: Accounts receivable may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts should maintain detailed supporting documentation as well as system backups to substantiate accounts receivable balances.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-68 – General Fund – Accounts Payable and Other Liabilities

Criteria: Recorded liabilities should represent valid obligations.

Condition: The liability account “Reissuance Acct-Gen Fund,” amounting to \$1,760,192, does not represent a valid liability. This amount originated from an erroneous duplicate entry when recording a voided check. This condition was corrected through a proposed audit adjustment.

Cause: It appears that the account is not monitored on a regular basis.

Effect: The affected accounts may be misstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number 2001-68 – General Fund – Accounts Payable and Other Liabilities, Continued

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts should review this account on a periodic basis.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-69 – Child Support Liability

Criteria: Timely and effective reconciliation procedures should be performed for child support payments and collections.

Condition: During fiscal year 2001, a reconciliation was not performed between the cash account and the child support liability account, resulting in an unreconciled variance, as follows:

Per cash accounts	\$ 5,465,346
Difference	<u>686,470</u>
Per child support liability accounts	\$ <u>6,151,816</u>

The following details the aging of child support liabilities:

<u>Fiscal Year End</u>	<u>Liability</u>	<u>Composition of Fiscal Year</u>
2001	\$ 1,453,509	24%
1995	1,014,052	16%
1997	929,513	15%
1996	896,460	15%
2000	754,410	12%
1998	545,736	9%
1991	207,349	3%
Other PY years 1992-1999	<u>350,787</u>	6%
Total	\$ <u>6,151,816</u>	<u>100%</u>

Cause: It appears the internal control policies and procedures to monitor the above accounts are not effective.

Effect: The liability accounts may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam and is being addressed at the Attorney General's Office.

Recommendation: The responsible personnel should reconcile the two accounts on a periodic basis to ensure that only legitimate recipients are receiving collections. In addition, the grantee should enact active measures to liquidate the above liabilities.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-70 – General Fund – Accounts Payable and Other Liabilities

Criteria: Journal entries should be properly reviewed for correct debit and credit balances.

Condition: A transfer of \$1M from one bank account to another was erroneously credited to a liability account entitled "Collection Child Support." This condition was corrected through a proposed audit adjustment.

Cause: The cause of this condition appears to result from inadequate review of recorded journal entries.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-70 – General Fund – Accounts Payable and Other Liabilities, Continued

Effect: This condition resulted in an overstatement of both the affected cash and liability accounts by \$1M.

Recommendation: The Division of Accounts should review posted journal entries to ensure their proper posting.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-71 – General Fund – Accounts Payable and Other Liabilities

Criteria: Debit balances in liability accounts should be reviewed for potential reclassification to receivable accounts.

Condition: The account entitled “Deposit – Child Support Tax Refund,” (a liability account), reflected a debit balance of \$515,424. No adjustment to this balance was proposed in the audit process.

Cause: It appears that disbursements exceeded recorded liabilities.

Effect: The affected accounts may be misstated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts should review this account to determine whether the amount represents a valid and collectible receivable and to record proper reclassifications.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-72 – General Fund – Accounts Payable and Other Liabilities

Criteria: Per Public Law No. 18-37, amounts deposited in the General Fund from inactive bank accounts may transfer to the Government of Guam five years after the initial deposit date and be recognized as revenues.

Condition: A total of \$1,100,695 in deposits from inactive bank accounts that are five years and older still are recorded in a liability account entitled “Deposits – Bank Inactive Accounts.”

Cause: It appears that the account is not monitored on a regular basis.

Effect: The affected accounts may be misstated.

Recommendation: The Division of Accounts should review this account to determine and properly recognize revenue.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-73 – General Fund – Other Accrued Expenditures

Criteria: Accrued expenditures should be periodically reviewed and monitored to verify the validity of the account balance.

Conditions:

1. A total of \$2,179,510 in accrued other expenditures represents an unpaid 1998 annual appropriation to the Capital Improvements Division for Guam Power Authority line extensions.
2. A total of \$1,513,027 in accrued other expenditures represents over accrual of MIP payables.

An audit adjustment was proposed to correct these amounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number 2001-73 – General Fund – Other Accrued Expenditures, Continued

Cause: It appears that the account is not monitored on a regular basis.

Effect: The effect of this condition may be an overstatement of other accrued expenditures.

Recommendation: The Division of Accounts should review this account to determine whether the amount represents a valid liability.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-74 – General Fund – Other Accrued Expenditures

Criteria: Recorded liabilities should be properly supported by detailed documentation (i.e., vendor invoices, approved journal vouchers, etc.).

Condition: Supporting documentation for the following liabilities could not be obtained. No audit adjustment was proposed due to the lack of substantiating documentation.

<u>Journal Voucher</u>	<u>Amount</u>
J98PC00098	\$1,545,455
J6AC00042	\$500,000

Cause: The supporting detailed documentation could not be located.

Effect: The accounts affected by these this journal vouchers may be misstated.

Recommendation: The Division of Accounts should maintain detailed supporting documentation for other accrued expenditure transactions and file them in order (i.e., sequentially and chronologically) to ensure that transactions are properly supported, and that such support can be readily located.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-75 – General Fund – Accounts Payable

Criteria: The accounts payable trial balance should be periodically reviewed and monitored.

Condition: Review of the accounts payable trial balance indicates that payables older than 120 days constitute 17.34%, or \$11,221,118, of the total balance of \$64,717,581.

Cause: Due to cash flow problems within the government, accounts payable balances have become excessively aged.

Effect: There is no material impact on the financial statements as a result of this condition. However, management should periodically review the aged payables to ensure their validity.

Recommendation: Payments to vendors should occur on a first-in first-out (FIFO) basis to minimize the aging of accounts payable. Additionally, the accounts payable detail should be periodically reviewed to ensure that the amounts represent valid liabilities.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-76 – General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: Reconciling items appearing on the September 30, 2001 bank reconciliation resulted from unrecorded check disbursements of \$101,030, which have been outstanding at various dates between September 2000 to September 2001.

Cause: There appears to be a lack of internal controls over ensuring the immediate investigation and resolution of bank reconciliation reconciling items.

Effect: This condition does not appear to have a material effect on the financial statements. However, errors can result if reconciling items are not investigated in a timely manner.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that reconciling items on bank reconciliations are immediately investigated and resolved.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-77 – General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: Reconciling items appear to be unrecorded “offset transactions” on the bank reconciliation in the amount of \$148,626, which have been outstanding at various dates from October 2000 to December 2000.

Cause: There appears to be a lack of internal controls over ensuring the timely investigation and resolution of bank reconciliation reconciling items.

Effect: Cash accounts may be misstated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that reconciling items on bank reconciliations are investigated and resolved.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-78 – General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: A total of \$2.5M in unrecorded fund transfers in the Tax Deposit Account (BOH) and unrecorded withdrawal in the Withholding Account (BOG) is noted in both bank reconciliations. An audit adjustment was proposed in the current year to properly state these accounts.

Cause: There appears to be a lack of internal controls over ensuring the immediate investigation and resolution of bank reconciliation reconciling items.

Effect: Cash balances of the affected accounts may be misstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-78 – General Fund – Cash, Continued

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that reconciling items on bank reconciliations are immediately investigated and resolved.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-79 – General Fund – Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition: Reconciling items in the amount of \$2,248,726 are present on the September 30, 2001 General Fund bank reconciliation and appear to represent unreported credit memos and duplicate reversals of Federal credit memos. Supporting documentation has not been provided for these items. Management proposed post-closing adjustments for these amounts. These items have remained reconciling items since March 2000.

Cause: There appears to be a lack of internal controls over ensuring the immediate investigation and resolution of bank reconciliation reconciling items.

Effect: This condition may result in a misstatement of the affected accounts in the General Fund and Federal Grants Fund.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: Client should locate and/or produce supporting documents for the above reconciling items.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-80 – General Fund – Cash

Criteria: Closed bank accounts should properly reflect zero balances in the general ledger.

Condition: The following closed bank accounts as of September 30, 2001 are still reflected in the general ledger.

<u>Acct Name</u>	<u>Bank Acct No</u>	<u>Balance</u>	<u>G/L No.</u>
Payroll Account	101-014583	\$ <11,693>	1112
Income Tax Refund Account	101-014608	411,839	1114
Public Assistance Account	101-014617	<59,513>	1113

Cause: It appears that the cash account balances are not monitored on a regular basis.

Effect: The affected cash accounts may be misstated.

Recommendation: The Division of Accounts (DOA) should properly clear all closed bank accounts.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-81 – General Fund – Cash

Criteria: Bank reconciliations should be supported by detailed outstanding check lists.

Condition: For several bank reconciliations, reconciling amounts differ from corresponding outstanding checklists. The variances noted were as follows. These variances still exist some thirteen months after fiscal year end.

<u>Bank account #</u>	<u>38-100599</u>	<u>0038-100637</u>
Per bank reconciliation	\$ 2,451,515	\$ 13,041,553
Per outstanding checklist	<u>1,362,847</u>	<u>13,897,210</u>
Variance	\$ <u>1,088,668</u>	\$ <u>(855,657)</u>

Cause: Bank reconciliations are not consistently performed on a monthly basis.

Effect: There is a possibility that the related cash account may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that bank reconciliations are performed on a periodic basis and that variances are investigated and resolved in a timely manner.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-82 – General Fund – Cash

Criteria: Proper and accurate reconciliations should be performed for all bank accounts.

Condition: For several bank reconciliations, reconciling amounts differ from corresponding outstanding checklists. The variances noted were as follows:

<u>Bank account #</u>	<u>0038-100602</u>	<u>0038-100610</u>	<u>101-014617</u>
Per bank reconciliation	\$ 1,919,214	\$ 1,858,633	\$ 421,372
Per outstanding checklist	<u>2,123,398</u>	<u>1,664,173</u>	<u>84,796</u>
Variance	\$ <u>(204,184)</u>	\$ <u>194,460</u>	\$ <u>336,576</u>

Cause: The bank reconciliations are not being properly prepared or reviewed. No policy is established to ensure that reviews occur. Also, outstanding checklists are not produced on a regular basis nor used for bank reconciliation purposes.

Effect: The affected bank accounts may be misstated if not properly supported by an accurate reconciliation. Also, if reconciliations are not prepared in a timely manner, a possibility exists that fraudulent transactions may be recorded.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts (DOA) should establish review procedures to ensure that bank reconciliations are prepared properly and accurately. Additionally, outstanding checklists should be periodically reviewed and agreed to the underlying reconciliation.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number 2001-83 – Outstanding Encumbrances

Criteria: Purchase orders, contracts, work orders and other items that are included in outstanding encumbrances should be liquidated on a timely basis.

Condition: Detailed testing of outstanding encumbrances revealed that approximately \$12.9M of the approximately \$50M of outstanding encumbrances were two years old or older.

Cause: It appears the detailed outstanding encumbrance listing is not properly reviewed.

Effect: Outstanding encumbrances may be overstated if the amounts over three years are cancelable or determined invalid.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: A detailed schedule listing all outstanding encumbrances over three years should be prepared, reviewed and forwarded to the Bureau of Budget and Management Resources (BBMR) to ascertain whether such items may be canceled and reverted to the unreserved fund balance.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-84 – Outstanding Encumbrances

Criteria: Encumbrances should be properly supported by detailed documentation (i.e., contracts).

Condition: Out of thirty-five encumbrances tested, seven lacked supporting contracts.

Cause: The supporting detailed documentation could not be located.

Effect: The amounts recorded as encumbrances pursuant to the above items may misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Division of Accounts should maintain detailed supporting documentation for expenditure transactions and file them in order (i.e., sequentially and chronologically) to ensure that the transactions are properly supported, and that such support can be readily located.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-85 – General Fund – Other Receivable

Criteria: In accordance with accounts receivable collection policies, each writer of bad checks to the Government of Guam should first be given 30 days, after a written notice, to clear the person's account. Thereafter, the following procedures apply:

- 1) If the person is a Government of Guam employee, the amount is garnished from wages.
- 2) Tax refunds are held by the Government of Guam until that person clears the balance.
- 3) For travel advances, employee paychecks are held until the account has been cleared.

Condition:

- 1) Travel advance receivables older than 120 days constitute 88%, or \$1,140,475, of the total balance of \$1,294,729.
- 2) Receivables older than 120 days constitute 62%, or \$6,084,882, of the total receivables balance of \$9,786,752.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-85 – General Fund – Other Receivable, Continued

Cause: It appears the Government of Guam is not enforcing the above collection policies.

Effect: Receivable balances could be overstated, and cash flows of the Government of Guam are negatively impacted.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should strictly enforce its collection policies to ensure prompt receipt of overdue amounts.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-86 – General Fund – Other Receivable

Criteria: Account balances should be analyzed and reconciled on a regular basis.

Condition:

- 1) The accounts receivable subsidiary ledger contains several accounts with negative balances, totaling \$347,158.
- 2) Accounts receivable due from the Guam Telephone Authority (GTA) have not been reconciled on a timely basis.

Cause:

- 1) There appears to be weak internal controls over ensuring that payments received from various departments are properly recorded.
- 2) There appears to be weak internal controls over ensuring that the receivable balance from GTA is reconciled in a timely manner.

Effect: The condition causes the accounts receivable balance to be understated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation:

- 1) The Division of Accounts should assign an individual to monitor and reconcile negative balances in the receivable accounts. Procedures should be established and implemented to prevent cash receipts from being applied to nonexistent receivable accounts.
- 2) The Division of Accounts and the appropriate agency should assign individuals to reconcile accounts on a regular basis.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-87 – General Fund – Other Receivable

Criteria: Procedures to record an allowance for doubtful accounts should be established and implemented.

Condition: Per the accounts receivables aging schedule, receivables > 120 days constitute 62%, or \$6,084,882, of the total gross accounts receivable balance of \$9,786,752 as of September 30, 2001. It appears that the allowance for doubtful accounts remains the same every year.

Cause: No procedures have been established to properly calculate and record an allowance for doubtful accounts.

Effect: Accounts receivable could be misstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-87 – General Fund – Other Receivable, Continued

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The aging of accounts receivables should be analyzed based on the collectibility of outstanding accounts. A policy should be established and implemented to analyze the adequacy of the allowance on a regular basis.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-88 – General Fund – Other Receivable

Criteria: Bad Checks – Misc (R&T) and Bad Checks – GRT (R&T) should be monitored and reconciled on a regular basis.

Condition: Reconciliations between DOA and the Department of Revenue and Taxation (DRT) have not been performed as of September 30, 2001.

	<u>Per DRT</u>	<u>Per DOA</u>	<u>Difference</u>
A/R Bad Checks (Income Tax)	\$95,570	\$3,287,533	\$3,191,963
A/R Bad Checks (GRT)	\$119,016	\$788,233	\$669,217

Cause: The Department of Revenue and Taxation is responsible for reconciling bad checks related to tax payments due to the confidentiality of taxpayer records.

Effect: Accounts Receivable Bad Checks may be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: A reconciliation between DOA and DRT should be performed on a regular basis.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-89 – General Fund – Other Receivable

Criteria: The account “A/R Federal/School Lunch” should be monitored and reconciled on a regular basis. This account represents expenses for the National School Lunch Program incurred by the Guam Department of Education, which should ultimately be reimbursed by the U.S. Department of Agriculture in the amount of \$791,324.

Condition: The account had no movement during fiscal year 2001. The nature of the account is such that it should clear within a short period of time, as the money is readily available for drawdown from the National School Lunch Program. Collections for this account may have been credited against the wrong general ledger account. No audit adjustment was proposed in the audit process.

Cause: There appears to be weak internal controls over ensuring that collections from the U.S. Department of Agriculture are first applied to the A/R Federal/School Lunch account before the fund are transferred out to the Guam Department of Education.

Effect: Accounts receivable balances may be overstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of Government of Guam.

Recommendation: Management should determine whether the account represents a valid receivable.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-90 - Taxes Receivable

Criteria: Balances recorded in general ledger control accounts should agree with balances reported in detailed subsidiary schedules.

Condition: Differing balances of taxes and gross receipts tax receivables for various fiscal years are recorded in the general ledger and in detailed schedules maintained by the Department of Revenue and Taxation. The differences aggregated some \$25.4 million for taxes receivable and some \$6.4 million for gross receipts taxes receivable.

Cause: A reconciliation between the general ledger and detailed subsidiary schedules was not performed.

Effect: The affected accounts may be misstated as the balances do not reconcile to the detailed schedules provided by the Department of Revenue & Taxation.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: An annual or periodic reconciliation of the respective records should occur.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-91 - Taxes Receivable

Criteria: Public Law 22-140 reference to Title 11 Chapter 50 of the Guam Code Annotated, requires the Department of Revenue and Taxation (DRT) to establish a formula for reserving income tax receipts to pay income tax refunds. Additionally, DRT should readily provide documentation supporting the calculation of doubtful tax accounts.

Condition:

1. While DRT appears to have established the required formula, DRT is unable to provide sufficient data to support the accuracy of the established formula.
2. The accuracy of percentages used by DRT in calculating uncollectible taxes could not be verified.

Cause: DRT is prevented by the Guam Territorial Income Tax Code Section 6103 Title II from allowing the review of tax information by parties other than those authorized within DRT.

Effect: The reserve to pay income tax refunds and the allowance for doubtful tax receivable accounts may be materially misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: DRT should establish a documented methodology supporting the computation of the reserve for income tax refund payments and the allowance for uncollectible taxes.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-92 - Taxes Receivable

Criteria: Detailed subsidiary schedules should be reviewed for accuracy.

Condition: The detailed gross receipts tax receivable schedule prepared by the Department of Revenue & Taxation (DRT) contains abatement entries (approximately \$48.5 million) that were double posted. This condition created credit balances in the receivable accounts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-92 - Taxes Receivable, Continued

Cause: The cause of this condition appears to be inadequate maintenance of the aforementioned schedule.

Effect: The detailed subsidiary schedule may be misstated, which could cause the general ledger (G/L) balances to be misstated if the general ledger is adjusted before the detailed schedule is reviewed for errors.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: DRT should review the detailed schedule for accuracy before forwarding the schedule to the Division of Accounts.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-93 - Taxes Receivable

Criteria: Public Law 22-140 requires that the Director of Administration shall deposit in the income tax refund reserve fund all money reserved for income tax refunds from income tax receipts based on an established formula.

Condition: The amount as calculated by the established formula was not deposited into Fund 505 (303), as mandated by law.

Cause: The cause of this condition is that insufficient resources appear to have been collected to allow for the required deposit to occur.

Effect: The affected funds and accounts may be misstated, and noncompliance with the public law may result if the specified terms are not followed.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: Deposits of the proper amounts should be made into the appropriate funds to ensure that provisions of the established public law are properly complied with. If such is not feasible, the Guam Legislature should be petitioned to amend the law.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-94 – General Fund – Appropriations and Encumbrances

Criteria: Details of the continuing appropriations general ledger account should be documented and made readily available for review.

Condition: A schedule detailing General Fund continuing appropriations, totaling \$12,792,273, could not be provided for review and evaluation.

Cause: The cause of this condition appears to be related to staffing shortages as individuals tasked with the update and monitoring of continuing appropriations left the department or were re-assigned based on the departmental priorities.

Effect: The affect of this condition is that it is not possible to substantiate the adequacy of the continuing appropriations balance.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-94 – General Fund – Appropriations and Encumbrances, Continued

Recommendation: Periodic reconciliation of the continuing appropriations should occur.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-95 – General Fund – Compliance

Criteria: Reporting requirements established by public statute should be reviewed and enforced by agencies identified as the receiving entity within the statute.

Condition: Testing indicated non-compliance with reporting requirements of the following sections of public law 25-164:

Chapter III, Section 3, Sub-section c
Chapter III, Section 18
Chapter III, Section 21, Sub-section e
Chapter III, Section 24, Sub-section k
Chapter III, Section 30, Sub-section 1a
Chapter III, Section 30, Sub-section 2
Chapter IV, Section 3
Chapter IV, Section 4
Chapter IV, Section 22

Cause: The cause of this condition appears to be related to staffing shortages as individuals tasked with the update and monitoring of continuing appropriations and encumbrances left the department or were re-assigned based on the departmental priorities.

Effect: The affect of this condition is that it is not possible to substantiate the adequacy of the continuing appropriations balance.

Recommendation: The Department of Administration should designate to an individual the responsibility of ensuring compliance with reporting requirements established by public statute.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-96 – Fund 245 – Procurement

Criteria: Per Public Law No. 22-50, the Mayors' Council is required to utilize standard Government procurement procedures, which requires an approved purchase order or contract for all purchases equal and over a five-hundred-dollar (\$500) threshold.

Condition: The detailed expenditure schedule of Fund 245, "Village Streets Fund" included numerous invoices from the same vendor dated consecutively for the same amount of \$499.99, which appears to represent a split-purchasing condition designed possibly to circumvent existing procedures.

Cause: It appears that the invoices are utilized to avoid standard Government procurement procedures for purchases equal and above \$500 per Public Law No. 22-50.

Effect: There is a potential for procurement laws and procurement rules and regulations to be violated as a result of the above condition.

Recommendation: The Mayors' Council of Guam should ensure that all procurement laws and procurement rules and regulations are adhered to at all times.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-97 – Fund 255 – Proceeds

Criteria: Per 21 GCA (Guam Code Annotated) – Real Property, Article 9, all proceeds from the “Dededo Buffer Strip” leases shall be earmarked for the exclusive use of Dededo and Yigo Municipal Planning Councils for the upkeep and maintenance of sports and recreational facilities. The proceeds are to be remitted to the Divisions of Accounts and deposited to the General Fund bank account.

Condition: There has been no receipt of proceeds from the “Dededo Buffer Strip” leases since November 2000.

Cause: The cause of this condition is not known.

Effect: This condition appears to be a potential violation of Title 21 of the Guam Code Annotated.

Recommendation: The Mayors’ Council of Guam should ensure that the above Code is adhered to at all times.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-98 – Fund 303 – CIP Accrued Expenses

Criteria: Fund liabilities should be reviewed for validity on an annual basis.

Condition: The contract retention account balance as of September 30, 2001, included a bond rebate liability amounting to \$168,166. A report issued by Orrick, Herrington & Sutcliffe LLP indicated that the rebate liability was zero.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2001. Staff members responsible for tracking and reviewing CIP projects and related liabilities left the division or were re-assigned based on other priorities.

Effect: The contract retention account balance may be misstated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: Fund liabilities should be reviewed for validity on an annual basis.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-99 – Fund 303 – CIP Expenditures

Criteria: Expenditures should not exceed amounts established via legislative appropriation.

Condition: Review of the project status report for CIP Fund 303 for the fiscal year ended September 30, 2001, indicates that cumulative expenditures, plus encumbered amounts, exceed legislative appropriated balances by \$145,333 for Northern Treatment Plant Improvements.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2001. Staff members responsible for tracking and reviewing CIP projects and related liabilities left the division or were re-assigned based on Division priorities.

Effect: Expenditures may exceed appropriated amounts resulting in a violation of public law.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-99 – Fund 303 – CIP Expenditures, Continued

Recommendation: Expenditures should be reviewed to ensure that expenditures do not exceed legislative appropriated balances for each capital improvement project currently in progress. Additionally, a transfer of appropriations from another capital improvement project should be considered to correct this situation.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-100 – Fund 303 – CIP Appropriations Compliance

Criteria: Pursuant to public law 23-45, notwithstanding any other provision of law, unless work has commenced and ten percent (10%) of the funds have been expended to accomplish the purpose of an appropriation, any appropriation for capital improvements or the acquisition of capital goods and equipment made by the Legislature shall cease to be an appropriation and shall become an authorization for an appropriation three (3) years from the date the appropriation is made, and all sums previously appropriated shall revert to the fund from which appropriated.

Condition: Review of the project status report for CIP Fund 303 for the year ended September 30, 2001, indicates that no work has commenced on the Water Extension for Pigua Sub-Division project or the Water Extension for Umatac Sub-Division project as of the fiscal year ended September 30, 2001.

Cause: The cause of this condition appears to be related to the island's current economic condition.

Effect: The continuing appropriations account balance may be misstated by an immaterial amount.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The entity, or entities, responsible for project completion should review and evaluate the projects subject to Public Law 23-45 and make necessary recommendations to address compliance issues.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-101 – Fund 405 - GOB 1993 Series A

Criteria: The bond indenture requires that a rebate fund be established and that the necessary amount to satisfy any rebate requirement be deposited in such fund.

Condition: A rebate liability of approximately \$29,000 exists, and no rebate account has been established.

Cause: There appears to be a lack of internal controls over ensuring compliance with bond indenture requirements.

Effect: There is no known material financial statement impact as a result of this condition. However the Government of Guam may be in noncompliance with the bond indenture.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should establish a rebate fund in accordance with the bond indenture.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-102 - Fund 505 – Superior Court of Guam - Procurement Procedures

Criteria: All contracts should be procured through Superior Court procurement procedures.

Condition: Contract number C98-13 was not procured through formal procurement procedures.

Cause: There appears to be weak internal controls over ensuring compliance with Superior Court procurement procedures.

Effect: No effect on the financial statements appears to result from the condition. However, Superior Court of Guam is in noncompliance with procurement procedures.

Recommendation: Contracts should be processed through standard Superior Court procurement procedures

Auditee Response: In a letter dated December 18, 2002, the auditee provided the following response:

Superior Court of Guam agrees with the auditor recommendation. Effective immediately, the court will process all contracts through standard Superior Court of Guam procurement procedures.

Finding Number 2001-103 - Fund 505 – Superior Court of Guam - Issuance of Form 1099

Criteria: Form 1099 should be issued when legal services are obtained.

Condition: No 1099s were issued to the respective law firms who provided services for, or were contracted by, the court.

Cause: It appears the Superior Court thought that issuance of Form 1099 is not required for professional corporations, such as law firms.

Effect: The effect of this condition is that the Superior Court may not be in compliance with applicable tax reporting requirements

Recommendation: The Superior Court should issue 1099s for all legal services procured.

Auditee Response: In a letter dated December 18, 2002, the auditee provided the following response:

Superior Court of Guam agrees with the auditor recommendation. Effective January 2003, the court will issue all 1099s for all legal services procured for calendar year 2002.

Finding Number 2001-104 – Fund 702 – Internal Service Fund – State Agency Surplus Fund

Criteria: A listing of inventory held on hand should be maintained on file.

Condition: A complete listing of inventory was not provided as of September 30, 2001. Only a listing for items maintained at GSA was provided for \$377,385, or 4%, of the total inventory outstanding. The majority of inventory, for which no listing has been provided, is with other agencies.

Cause: There appears to be weak record keeping controls.

Effect: Inventory could be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The General Services Agency should strengthen record keeping controls to ensure that detailed inventory listings are maintained on file to substantiate balances of inventory on hand.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-105 – Fund 703 – Internal Service Fund – Inventory

Criteria: Inventory should be properly supported by such documents as vendor invoices.

Condition: Invoices for the following items held on hand were not provided:

<u>Item No.</u>	<u>Description</u>	<u>Quantity on Hand</u>	<u>\$ Unit Price</u>	<u>Extension</u>
5597000001	Tape vinyl black	2,000	2.52	5,040
S623001187	Flashlite 8" flour lantern US GOV	180	40.34	7,261
S721001021	Bath Towel 24" X 48" soft white 6/pg	173	69.34	11,996
S751000175	Pen fine pt pilot v ball	595	13.45	8,003
S751000857	Computer 3.5 blank disk ds.hd	2,409	4.98	11,997
S751000946	Toner IBM L/Printer 4019/29	34	196.50	6,681
S751001033	Xerox Cart Copy 5012 5014 13R19	71	275.13	19,534
S751001231	Xerox dry ink, 5380,6R382	88	109.00	9,592
S753000087	envelope open 9 x 12 kraft 250/box	425	17.38	7,386
S753000228	computer paper 1py 14+x 1/2gb 2400sh	225	26.45	5,951
S753000810	envelope wind #10 self/s wht 500/bx	504	31.60	15,926
S791001045	Buffer pad 20" strip	247	21.14	5,222
S793001093	Cleaner Degreaser simple green	1,395	3.94	5,496
S810500002	Plastic bag 8-10 gal drk	562	16.50	9,273
S852000051	Bath Soap 4.5 to 5 oz	319	38.39	12,246
S854000006	Toilet tissue 2 ply 220 sht per rl 100/cs	142	37.50	5,325
S721001025	Pillow case pln white stan size	264	26.31	6,946
S736000007	Plastic forks 6" h/duty	387	10.82	4,187
S751000404	Crayon 8 standard colors	2,958	1.13	3,343
S751000450	Xerox dry ink 1075 90 4050 5388 6r3	84	66.00	5,544
S751000869	Xerox cart copy 5018 21 28 34	27	307.00	8,289
S019500056	Requisition & Supply issue rec.	148	10.49	1,553
S685001195	Cartridge deskjet black	149	23.99	3,575
S751000134	Leg Pressbrd	139	29.64	4,120
S751000246	Pencil Wood #2 American	2,661	1.21	3,220
S751000379	Folder Leg Pressbrd STR cut	272	23.46	6,381
S751000401	Clay Molding non-toxic 4 colors	612	7.54	4,614
S751000820	Xerox dry ink 1065 5065 5365	45	85.00	3,825
S751000964	Xerox dry ink 5312 14	86	107.81	9,272

Cause: There appears to be weak record keeping controls.

Effect: Inventory could be misstated.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-105 – Fund 703 – Internal Service Fund – Inventory, Continued

Recommendation: The General Services Agency should strengthen record keeping controls to ensure that supporting documents, such as invoices, are maintained on file to substantiate inventory held on hand.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-106 – Test of Controls - Travel

Criteria: In accordance with the Government of Guam's travel policies and regulations, travelers must submit supporting documents (e.g., conference records, workshop pamphlets, and travel itineraries) that evidence official dates, times and overall purpose of travel.

Condition: For four (or 24%) out of twenty-five travel transactions tested, the following did not have boarding passes documented.

Travel

T011500026	T011700051
T011500028	T011500050
T012200010	
T0100030	

Cause: There appears to be weak internal control procedures over ensuring that supporting documents are submitted obtained from travelers.

Effect: There is no known effect on the financial statements as a result of this condition. However, the transactions are in noncompliance with the above requirement.

Prior Year Status: The above condition is reiterative of conditions identified in prior year audit of the Government of Guam.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that supporting documents are obtained before travel authorizations are issued.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-107 – Test of Controls - Travel

Criteria: In accordance with the Government of Guam's travel policies and regulations, there must be at least three quotations obtained.

Condition: For five (or 20%) out of twenty-five travel transactions tested, the following did not indicate that the minimum three quotations were obtained.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Finding Number 2001-107 – Test of Controls – Travel, Continued

Travel
T011100005
T011500049
T011500050
T0100030
T013400006

Cause: There appears to be weak internal control procedures over ensuring that travel quotations are obtained.

Effect: There is no known effect on the financial statements as a result of this condition. However, the transactions are in noncompliance with the above requirement.

Prior Year Status: The above condition is reiterative of conditions identified in prior year audit of the Government of Guam.

Recommendation: The Government of Guam should consider strengthening internal controls to ensure that travel quotations are obtained before travel authorizations are issued.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

Finding Number 2001-108 – Test of Controls - Travel

Criteria: In accordance with the Government of Guam’s travel policies and regulations, when travel authorizations are cancelled, travelers must reimburse per diem that had been advanced to them.

Condition: For two (or 8%) out of twenty-five travel transactions tested, the travelers with cancelled travel authorizations documented as TA000293-004 and TA000293-003 did not reimburse the per diem that had been advanced to them.

Cause: There appears to be weak internal control procedures over ensuring collection of advanced per diem associated with cancelled travel authorizations.

Effect: There is no known effect on the financial statements as a result of this condition. However, the transactions are in noncompliance with the above requirement.

Recommendation: The Government of Guam should strengthen internal controls to ensure that advanced per diem associated with cancelled travel authorizations are collected from the travelers.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2001

Finding Number 2001-109 – Federal Funds Availability

Criteria: Federal funds granted to the Government of Guam may be expended only during the grant's period of availability, as specified in grant awards and/or OMB Circular A-133 agency programs, respectively. Unexpended balances remaining after the grant's period of availability represent lost revenues.

Condition: For 3 (or 19%) out of 16 major programs tested, unexpended balances remain after the fund's period of availability, as follows:

<u>CFDA #</u>	<u>Program Name</u>	<u>Unexpended Balance</u>	<u>Related Finding Number</u>
84.126	Vocational Rehabilitation Grants to States	\$ 1,127,276	2001-25
93.575	Child Care and Development Funds	194,291	2001-50
93.667	Social Services Block Grant	<u>173,989</u>	2001-54
		<u>\$ 1,495,556</u>	

Cause: There appears to be weak administrative controls over ensuring 100% obligation and expenditure of Federal grant awards during the grant's period of availability.

Effect: In a weak financial environment, it appears the Government of Guam lost potential revenues of \$1,495,556.

Recommendation: The Government of Guam should strengthen administrative controls to ensure that Federal grant awards are fully obligated and expended during the grant's period of availability. The responsible program administrators should closely monitor program budgets and actual expenditures. At least three months before a grant's period of availability ends, the program administrator should assess available balances and should develop and implement a plan for obligating and/or expending the remaining balances in accordance with grant terms and conditions.

Auditee Response and Corrective Action Plan: The Department of Administration provided a general response in a letter dated February 7, 2003. See attachment.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 2001

Report Title/Assignment No.	Issue <u>Date</u>	Recommendation/Questioned Costs			
		<u>Beginning</u>	<u>Resolved</u>	<u>End</u>	<u>Amount</u>
Federal Grants Management N-IN-GUA-020-89	06-28-90	7	1	6	\$ -
Charges to Federal Grant DPHSS Program, N-IN-GUA-020-89A	10-26-89	7	6	1	-
Asses. & Collection of Property Taxes, DRT, GovGuam N-TG-GUA-021-89	01-04-90	9	6	3	-
U.S. Department of Defense Contract Funds, Department of Education, GovGuam N-IN-GUA-004-97-(E)-R	01-10-00	0	0	4	<u>9,721,901</u>
Total Questioned Costs per Office of the Inspector General					<u>\$ 9,721,901</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2001

	<u>Prior Year Listed Unresolved Questioned Costs</u>	<u>Questioned Costs Resolved During the Year</u>	<u>End of Year</u>
Unresolved Questioned Costs FY 98	\$ 2,799,152	\$ 472,137	\$ 2,327,015
Unresolved Questioned Costs FY 99	25,472,387	634,364	24,838,023
Unresolved Questioned Costs FY 00	<u>10,062,663</u>	<u>-</u>	<u>10,062,663</u>
	\$ <u>38,334,202</u>	\$ <u>1,106,501</u>	37,227,701
Add Questioned Costs for FY 2001			<u>9,875,246</u>
Total Unresolved Questioned Costs at September 30, 2001			\$ <u>47,102,947</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2001

<u>CFDA #</u>		<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
12.110	DOD/DOE	\$ -	-	\$ 9,721,901	\$ -	\$ 9,721,901
12.401	National Guard	155,914	-	-	-	155,914
15.605/ 15.611	Fish and Wildlife Cluster	339,414	-	-	-	339,414
15.875	Compact Impact	4,262,576	3,526,590	3,147,789	2,305,544	13,242,499
20.205	Highway Planning and Construction	36,498	18,365	-	-	54,863
66.600	Environmental Protection	222,907	-	-	-	222,907
83.541	FEMA Disaster Unemployment Assistance	-	-	-	21,471	21,471
83.544	FEMA Public Assistance Grants	2,505,157	2,955,284	11,968,333	-	17,428,774
83.548	FEMA Hazard Mitigation Grant	328,039	295,507	-	-	623,546
84.126	Vocational Rehabilitation	57,857	-	-	-	57,857
84.186	Safe and Drug-Free Schools/Communities	-	17,612	-	-	17,612
93.000	Cost Pool Allocation Accounts	40,038	-	-	-	40,038
93.558	TANF	543,972	163,827	-	-	707,799
93.563	Child Support Enforcement	195,161	235,340	-	-	430,501
93.575	CCDF	633,606	804,925	-	-	1,438,531
93.667	Social Services Block Grant	89,865	-	-	-	89,865
93.778	Medicaid	<u>464,242</u>	<u>2,045,213</u>	<u>-</u>	<u>-</u>	<u>2,509,455</u>
	Totals	<u>\$9,875,246</u>	<u>\$10,062,663</u>	<u>\$24,838,023</u>	<u>\$2,327,015</u>	<u>\$47,102,947</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, 2001

Finding #	CFDA #	Questioned Costs Resolved In 2001	Responding Office
98-13	12.401	\$ 321,552	OMB Circular A-133, Section .315(b)(4)
98-15	12.401	20,589	OMB Circular A-133, Section .315(b)(4)
98-51	93.575	<u>129,996</u>	U.S. DHHS, October 4, 2000
		<u>\$ 472,137</u>	
99-01	10.551/10.561	\$ 281,000	U.S. DHHS, January 2, 2002
99-05	17.246/17.250	166,036	U.S. Department of Labor, October 28, 2002
99-18	93.575	125,516	U.S. DHHS, March 11, 2002
99-20	93.575	<u>61,812</u>	U.S. DHHS, March 11, 2002
		<u>\$ 634,364</u>	
	Total Resolved	<u>\$ 1,106,501</u>	



Felix P. Camacho
Governor
Kaleo S. Moylan
Lieutenant Governor

Department of Administration

(DIPATTAMENTON ATEMENSTRASION)

DIRECTOR'S OFFICE

(UFISINAN DIREKTOT)

Post Office Box 884 Hagatña Guam 96932
Tel: (671) 475-1101/1250 Fax: (671) 477-6788



Lourdes M. Perez
Acting Director

February 7, 2003

Mr. Daniel Fitzgerald
Audit Partner
Deloitte Toucher Tohmatsu
361 South Marine Drive
Tamuning, Guam 96911

RE: Response to Schedule of Findings and Questioned Costs –
For Fiscal Year Ended – September 30, 2001

Dear Mr. Fitzgerald:

Hafa Adai!

Transmitted herewith are the response and corrective action plans for the Findings and Questioned Costs for Fiscal Year Ended - September 30, 2001.

Should you require additional information or clarification, please contact Mrs. Arleen U. Pierce, DOA Controller, at 475-1169/1232.

Si Yu'os Ma'ase.

Sincerely,

for LOURDES M. PEREZ
Acting Director

Attachment

cf: Acting Director, Bureau of Budget & Management Research

General Responses to all findings related to the Fiscal Year Ended September 30, 2001

The Department of Administration concurs with the attached findings and recommendations. However, during the fiscal year, DOA encountered numerous challenges. They are as follows:

A. Financial Management System

During the fiscal year ended September 30, 2001, the Department of Administration, Division of Accounts, entered into its second year of utilizing a new Financial Management System (FMS) – the ORACLE System software application.

As live productions were ongoing into the ORACLE System, new modules were being brought online – namely:

- Federal Grants Accounts Receivable Management Module.
- Procurement Module (GSA was able to successfully process purchase orders electronically which integrated with the financial management system).

Training was initially provided to the staff and management of the Division of Accounts, Data Processing Division and General Services Agency, and then was later expanded to include key personnel from other departments/agencies.

The ORACLE System was still in its implementation phase with several modules yet to be added to the system. The modules next to be launched were the Budget Information System (BIS) and the Fixed Assets module.

Employees working day in and day out using the ORACLE system were most affected by the constant demands of the activities required of them to enter and process backlog as well as current transactions into the system. Employee stress levels were very high and continued due to the attempted maintenance of both the ORACLE and the BACIS systems as explained in the last paragraph.

Additional problems were encountered – such as:

- Funding for software and hardware maintenance became an issue.
- Computer consultants were off-island based.
- Computer consultants were constantly changing (a new group of consultants were brought in, replacing prior groups – mainly due to visa expirations). This was hard on staff and management since each would have to explain the problems they were experiencing with the ORACLE system all over again to the new group of consultants. Consultants had to reacquaint themselves with the progress of work that their predecessors left behind.
- FMS interface - internally and externally – was difficult as other software systems were not configured to other line agencies and other external services. This required changes from specialized programmers from the Department of Administration. As a result, the Division of Accounts was forced to revert to manual processing procedures since these system modifications were not in place.

Based upon the above problems, a decision was made to have the Department of Administration revert back from the ORACLE Accounting software application to the Budget and Accounting Information System (BACIS), effective for the upcoming Fiscal Year 2002.

B. Early Retirement and Buy-Out Program:

The Early Retirement and Buy-Out Program that was implemented in Fiscal Year 2000 negatively impacted the Government of Guam. The Division of Accounts as well as other critical divisions of the Department of Administration lost senior employees who had institutional knowledge and experience. For example, the Division of Accounts lost ten (10) senior employees. With the decline of general fund revenues, the division was unable to hire additional accounting and professional staff to replace these employees. This was a very difficult and critical period of time wherein continuity and consistency of our accounting operations and financial management system was the main focus. The division was forced to keep up with the demands with the remaining workforce.

Corrective Action Plan:

The Management Findings and Questioned Costs related to the general operations of the Division of Accounts, such as the records maintenance, reconciliation and periodic review of procedures were tasked to the Deputy Controller. With the shortage of staff and the enormous workload placed on the Division of Accounts, the Deputy Controller was tasked with the responsibility of developing detailed work plans with task assignments delegated to each branch supervisor to meet respective timelines for each task. These work plans were reviewed by the Controller and then forwarded to the Director of Administration. This method provided some level of efficiency when hiring additional personnel was not an option. The Division of Accounts, however, is still in dire need of professional accounting staff in order to fully accomplish its mandates of law and its mission in providing accurate and reliable financial reporting in a timely manner.

With regards to procurement matters, the General Services Agency is responsible for all purchase orders and contracts. However, with regards to contracts, a delegation of authority is allowed by the Chief Procurement Office and has delegated this function to the Directors of the various line agencies. Given this delegation of authority, the Departments are individually responsible for not only submitting the contracts to the Department of Administration, but are also responsible for their procurement bid package which should include the necessary advertisements, bid request, bids received from the vendors, the scores related to each vendor, the award granted and the notice to proceed. All other procurement practices, fall under the purview of the General Services Agency.