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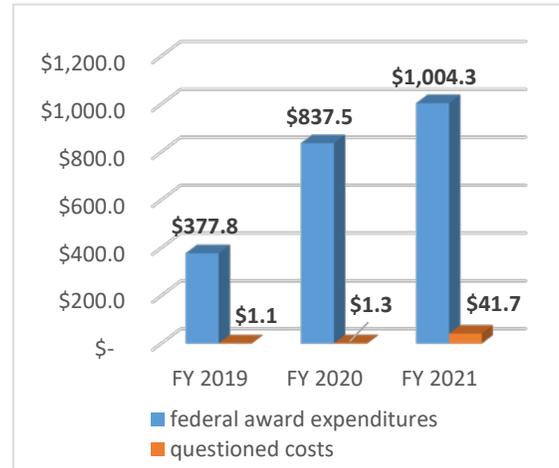
Government of Guam – FY 2021 Compliance Highlights

July 20, 2022

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Government of Guam’s (GovGuam) fiscal year (FY) 2021 Single Audit Reports, Management Letter, and Letter to Those Charged with Governance, dated July 13, 2022, and received by OPA on July 18, 2022. GovGuam and its line agencies’ federal award expenditures have substantially increased to \$1 billion (B) in FY 2021. Questioned costs for federal awards have also continued to grow, from \$1.1 million (M) in FY 2019 to \$41.7M in FY 2021.

Independent auditors Deloitte & Touche, LLP identified 30 findings in FY 2021, and rendered qualified opinions for the following 15 major federal programs due to GovGuam’s noncompliance with requirements:

- Pandemic Electronic Benefits Transfer (EBT) Food Benefits (2021-005)
- SNAP Cluster (2021-008)
- Economic, Social and Political Development of the Territories (2021-003 and 2021-010)
- Unemployment Insurance (Public Unemployment Assistance (PUA)/Federal Pandemic Unemployment Compensation (FPUC)) (2021-011 and 2021-012)
- National Dislocated Worker (2021-013)
- Formula Grants for Rural Areas and Tribal Transit Program (2021-003)
- Coronavirus Relief Fund (2021-014, 2021-015, and 2021-016)
- Emergency Rental Assistance Program (2021-017 and 2021-018)
- Coronavirus State and Local Fiscal Recovery Funds (2021-020 and 2021-021)
- Environmental Protection Consolidated Grants for the Insular Areas – Program Support (2021-003)
- Epidemiology and Laboratory Capacity for Infectious Diseases (2021-003 and 2021-024)
- Child Care Development Fund (CCDF) Cluster (2021-025)
- Medicaid Cluster (2021-028)
- Emergency Management Performance Grants (2021-029)
- Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (2021-030)



Federal Program Funding

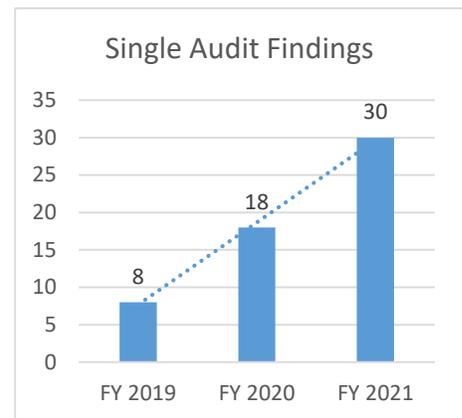
GovGuam and its line agencies expended \$1B in federal awards from 16 grantors in FY 2021. The largest grant came from the U.S. Department of Labor at \$390.9M, of which \$383.8M was for COVID-19 Unemployment Insurance. The second-largest grantor was the U.S. Department of

Agriculture at \$177.9M, of which \$134.7M was for the Supplemental Nutrition Assistance Program (SNAP), better known as food stamps. The third-largest grantor was the U.S. Department of Health and Human Services, with \$163.6M for various programs such as Medicaid at \$113.4M; Child Care and Development Block Grant at \$7.1M; Child Support Enforcement at \$4.4M; and COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases at \$3.7M.

In addition, GovGuam component units expended \$389.6M in federal awards. The top three agencies were the Guam Department of Education at \$117.1M, Guam Waterworks Authority at \$64.8M, and Guam Housing and Urban Renewal Authority at \$58.6M. GovGuam also received non-cash awards of \$168.9M in FY 2021 under the Supplemental Nutrition Assistance program and the Pandemic EBT Food Benefits program.

Single Audit Findings

In FY 2021, 30 findings were identified in the Single Audit, of which 11 were repeat findings from the prior year. Total Single Audit findings have continually increased from 18 findings in FY 2020 and 8 findings in FY 2019. Of the 30 findings, 22 were determined to be material weaknesses¹ and seven were significant deficiencies². The findings identified fit the following areas of deficiencies:



Procurement and Suspension and Debarment

- Material weaknesses (2021-020, 2021-024, 2021-029)
- Significant deficiencies (2021-007, 2021-009, 2021-022)
- Repeat findings (2021-009, 2021-024)
- Rationales for using sole source procurement method were not sufficient.
- In small purchase method, less than three informal price quotes were on file.

Reporting

- Material weaknesses (2021-005, 2021-015, 2021-018)
- Significant deficiencies (2021-027)
- Repeat findings (2021-015, 2021-027)
- GovGuam is noncompliant with applicable reporting requirements
- Required reports were not prepared or submitted
- Reported expenditures were not supported by accounting records

¹ Material Weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements or material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

² Significant Deficiency is a deficiency, or a combination of deficiencies, in internal control or internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Eligibility

- Material weaknesses (2021-011, 2021-013, 2021-017, 2021-025, 2021-030)
- Repeat finding (2021-011)
- Federal award program case file documentation demonstrated ineligibility or were not sufficient to substantiate eligibility.
- Expenditures did not agree with the recipient listing.
- Child care providers were not included in the approved listing of licensed child care providers.

Special Tests and Provisions

- Material weaknesses (2021-008, 2021-010, 2021-012, 2021-028)
- Significant deficiencies (2021-026)
- GovGuam is noncompliant with applicable special tests and provision requirements for SNAP EBT reconciliations (2021-008). This has been consistently identified as a repeat finding since the FY 2016 Single Audit.
- GovGuam is also noncompliant with other applicable special tests and provisions requirements relating to grant terms and conditions, eligibility, and health and safety.

Other Areas of Deficiencies

- Sub-recipient monitoring (2021-016, 2021-021, 2021-023)
- Activities allowed or unallowed (2021-014)
- Period of performance (2021-019)

Aging GovGuam Accounting System

GovGuam's AS400 system continues to be overdue for a replacement. The Department of Administration's (DOA) Division of Accounts could not facilitate a timely and periodic closing of the accounting system and generate financial information, which continues to affect the timely completion of the financial audit. GovGuam has been working on procuring a replacement accounting system since early 2021.

Management Letter

The independent auditors issued a management letter for nine GovGuam entities with 22 comments on deficiencies related to internal control over financial reporting. DOA Division of Accounts, Public Defender Services Corporation (PDSC), and Department of Corrections (DOC) received the majority of comments identifying deficiencies as follows:

- DOA Division of Accounts received 11 comments relative to (1) Transaction Processing System receipts, (2) uncollected receivables, (3) special revenue fund deficits, (4) deposits and liabilities, (5) revenues, (6) Electronic Fund Transfers, and (7) expenditures.
- PDSC received three comments related to lack of reconciliations in (1) opening net position, (2) GovGuam appropriations, and (3) transfers within funds.
- DOC received two comments related to (1) untimely submission of detainee confinement and transportation billings incurred for June 2021 to September 2021 totaling \$336 thousand and (2) unrecorded medical liabilities incurred by inmates of \$2.5M that was reiterated in the prior year audits.

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