

**University of Guam
Guam Cancer Trust Fund**

**Performance Audit
October 1, 2014 through September 30, 2018**

**OPA Report No. 19-08
December 2019**



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EXECUTIVE SUMMARY
Guam Cancer Trust Fund
OPA Report No 19-08 December 2019

Our audit of the Guam Cancer Trust Fund (GCTF) from Fiscal Year FY 2014 to FY 2018 found: 1) lapses and inefficiencies in the management of GCTF revenues; 2) apparent violations or flaws on GCTF payouts; 3) deficiencies in grant process and non-compliance with grant terms; and 4) the need for approval, policy reviews and updates of some documents such as GCTF Rules and Regulations. The University of Guam (UOG) administers GCTF.

Legislative Appropriations Under-Remitted by DOA

Based on Guam Budget Acts for FY 2014 to FY2018, the Legislature appropriated a total of \$12.8 million (M) to GCTF from the Healthy Futures Fund (Healthy Futures). However, allotment payments received from the Department of Administration (DOA) amounted to \$10.4M only or short by \$2.4M.

GCTF Co-mingled with other UOG Funds

According to Public Law (P.L.) 30-80 enacted in February 2010, GCTF shall be held in an account in a financial institution separate and apart from all other accounts and funds of the Government of Guam. UOG did not maintain a separate bank account for GCTF. This resulted in an apparent co-mingling of GCTF cash with other UOG cash.

GCTF Available for Awards to NPOs Underutilized

P.L. 30-80 authorizes UOG to allocate up to 75% of the GCTF's balance to non-profit and charitable organizations (NPO) involved in providing cancer services. From FY 2014 to FY 2018, only 69% of the GCTF's balance was awarded to eligible and qualified organizations based on their needs. Accumulated unspent funds of \$4.2M in FY 2017 and \$4.3M in FY2018 were invested at a financial institution. There is a need for a proactive effort to publicize GCTF's services to the community; otherwise, these will be underutilized.

Top Five Grantees

From FY 2014 through FY 2018, GCTF Council awarded contracts totaling \$8.8M to 10 NPOs with total payouts of \$7.7M (or 88%). The top five of these grantees received \$8M (or 91%) of the award, of which NPO A got the largest, \$4.3M (or 49%). Being the highest grantee, we sampled for our examination and analysis, NPO A's contracts, payouts, and grant activities.

NPO A Personnel Costs Comprised 56% of Award

During the five-year period, GCTF paid NPO A's personnel costs totaling \$2.4M, which comprised 56% of the total project costs awarded. For FY 2018 alone, personnel costs totaling \$535 thousand (K) were paid for salaries and benefits of twelve (12) 100% Full-Time Employees (FTE) and two (2) 50% FTEs. The Council believes that the GCTF was the lone funding provider of NPO A's personnel costs. The Council requested for a cutback and increase funding amounts to direct services for eligible cancer patients. The requested amount, however, was finally approved.

Appearance of Conflict of Interest

According to UOG Procurement Rules and Regulations Chapter 11, Section 11.5.1.1, and Section 5628 of the Guam Procurement Law, it is a breach of ethical standards for any government employee to participate directly or indirectly in a procurement when the government employee knows that he has financial interest pertaining to the procurement.

GCTF paid \$204K (50% FTE) of the salaries and benefits of NPO A's lone Administration personnel. Being NPO A's designated representative, the same employee signed as Contractor (Grantee) on all awarded contracts totaling \$4.3M. We noted that same employee is concurrently receiving salaries and benefits as a full-time (100% FTE) Government of Guam employee. There were email messages from the employee to UOG personnel made during government work hours.

Insufficient Documentation on NPO A's Reimbursed Expenditures

GCTF Rules and Regulations requires awarded NPOs to *submit monthly invoices for reimbursable expenses accompanied with a report on the number of people directly serviced and the services provided*. Additionally, the signed contracts specified that after the 20% startup cost, the remainder is payable *upon submission of monthly invoices with receipts*.

In 2018, NPO A was reimbursed for expenditures totaling \$984K based on invoices for expenditures from November 2017 through December 2018. Requests for reimbursements were paid without sufficient documentation or receipts and not subjected to review/audit. The GCTF Administration confirmed that from FY 2014 to FY 2018, all reimbursements totaling \$4.3M were only supported with invoices and patients' log. There were disbursements without Payment Request Form (PRF) and some PRFs and invoices were not signed by the required signatories. There is a need for an audit and detailed tracking on grants to ensure funding is going directly to the cancer patients.

NPO A's Start-Up Costs Utilization Questionable

In January 2018, NPO A was paid a start-up cost of \$197K (or 20%) of the award amount. These were liquidated in January 2019 and supported with three invoices totaling \$211K incurred for October 2018 to December 2018 expenditures, which were after the expiry of the grant on September 30, 2018. GCTF funds requested appeared not utilized for startup costs. A clear policy on the granting of startup costs needs to be formulated to ensure grant funds are spent for its intended purpose.

Review and Approval of Grant Applications with Apparent Pattern Not Documented

We could not determine if the GCTF Council performed a thorough review of the grant applications and made recommendations for their approval due to the absence of documentation or resolution. In NPO A's applications for the five-year period, we noted a *pattern of same projects (tasks), and the same or a little variation in project costs*. The grant application write-ups had minimal modifications. Of the total grant applied for \$4.4M, the Council awarded \$4.3M (or 97%).

Grantee's Non-compliance with Grant Reporting and Documentary Requirements

NPO A did not submit reports and documents required per UOG Rules and Regulations and grant reporting practices. The required reports are the interim progress reports, comprehensive final report, annual financial expenditure report, and final report on activities funded. Despite non-compliance, annual grant applications were consistently approved and requested amounts were granted.

Conclusion and Recommendations

The GCTF Administration had performed a great service in facilitating funding to cancer patients via NPOs; thus, savings valued lives of Guam citizens. However, some apparent violations, lapses,

conflicts of interests and inefficiencies were noted. This is significant in the administration and management of GCTF revenues, reimbursements and payouts, and review, recommendation, approval and monitoring of grants.

There is a need for collaboration among the GCTF Administration, GCTF Council, and Business Office/Comptroller's Office to comply and adhere to legal requirements, policies, and rules and regulations. Maximizing fund availability and spending funds appropriately, would achieve the purpose of the GCTF and save more lives.

We recommend the following:

- **UOG President, Office of Research and Special Programs (ORSP) Director, GCTF Council, and GCTF Administration**
 1. Strictly comply with the legislative requirement to maintain a separate deposit account for GCTF;
 2. At the end of fiscal year, establish and communicate among each other, funds available for award to the grantees, administrative expenses and investment;
 3. Strictly enforce grant payouts on a reimbursement basis with sufficient documentation;
 4. Conduct and document grant application evaluation process based on established criteria, and maintain record of the results of evaluation, recommendation, and the President's approval;
 5. Strictly monitor compliance of grantees' reportorial requirements, progress reports, and results of the grant, as well as conduct site visits;
 6. Conduct review and make necessary updates on GCTF Rules and Regulations especially on direct personnel costs, startup costs, outreach programs, administration costs, and fiscal manager fees; and
 7. Resolve issues on apparent conflict of interest.

- **UOG Business Office/Comptroller's Office**
 1. Conduct an independent review/audit of grantees' invoices, receipts and other reimbursement documents prior to processing of checks for grant payouts.

- **DOA Director:**
 1. Refrain from borrowing funds from the Healthy Futures and remit to UOG the full appropriated amount for GCTF; and
 2. Issue a separate check allotment for GCTF.

Benjamin J. F. Cruz
Public Auditor



Introduction

This report presents the results of our audit of the Guam Cancer Trust Fund (GCTF) administered and managed by the University of Guam (UOG). The Office of Public Accountability (OPA) initiated this audit as part of its 2019 Annual Audit Plan.

The audit objectives were to determine if: (1) GCTF was effectively managed and properly accounted for, (2) GCTF was expended in accordance with laws, rules, regulations, policies and procedures, and (3) grantees performed in accordance with the terms of the grant.

Our scope covered GCTF activities from Fiscal Year (FY) 2014 to FY 2018, the confirmation of GCTF bank balance was extended up to March 31, 2019. We detailed the audit objectives, scope, and methodology in Appendix 1.

Background

In Guam, cancer contributes significantly to premature deaths, ill health and the socio-economic burden arising from this chronic disease. According to the Guam Comprehensive Cancer Control (GCCC) Coalition report on April 2015 based on the Guam Cancer Facts and Figures for calendar year (CY) 2008-2012, of the top ten (10) causes of death in Guam, cancer ranks second accounting for 18.5% or nearly one in every five of all deaths. See Table 1 below.

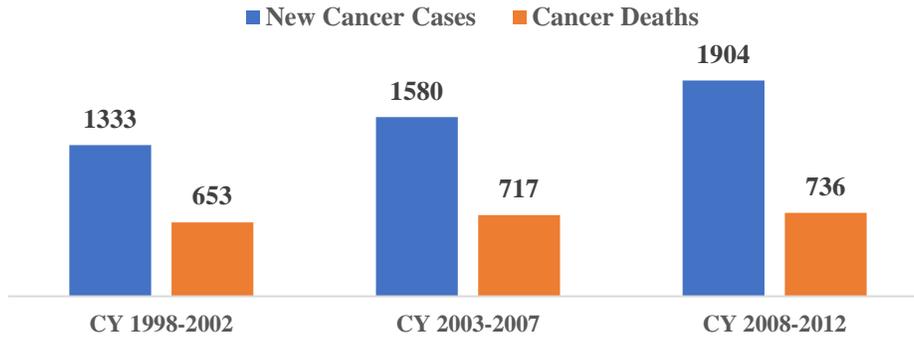
Table 1. Top Ten (10) Causes of Death, Guam: 2011

Rank	Cause of Death	Number of Deaths	Percent of all Deaths
1	Diseases of the Heart	253	30%
2	Malignant neoplasms	156	18.5%
3	Cerebrovascular disease and stroke	53	6.3%
4	Diabetes Mellitus	48	5.7%
5	Accidents	37	4.4%
	Motor vehicle accidents	17	2.0%
	Other accidents	20	2.4%
6	Septicemia	29	3.4%
7	Suicide	28	3.3%
8	Chronic lower respiratory disease	22	2.6%
9	Influenza and pneumonia	19	2.3%
10	Chronic liver disease and cirrhosis	18	2.1%
11	All others	142	16.9%
	Total deaths	842	100%

Source: Guam Cancer Facts & Figures 2008-2012

Between CY 2008 and 2012, 1904 new cases of cancer were diagnosed, and 736 people died of cancer. Cancer incidence (new cancer cases) increased by 20.5% and cancer deaths increased by 2.6% from the previous five-year period. See Chart 1.

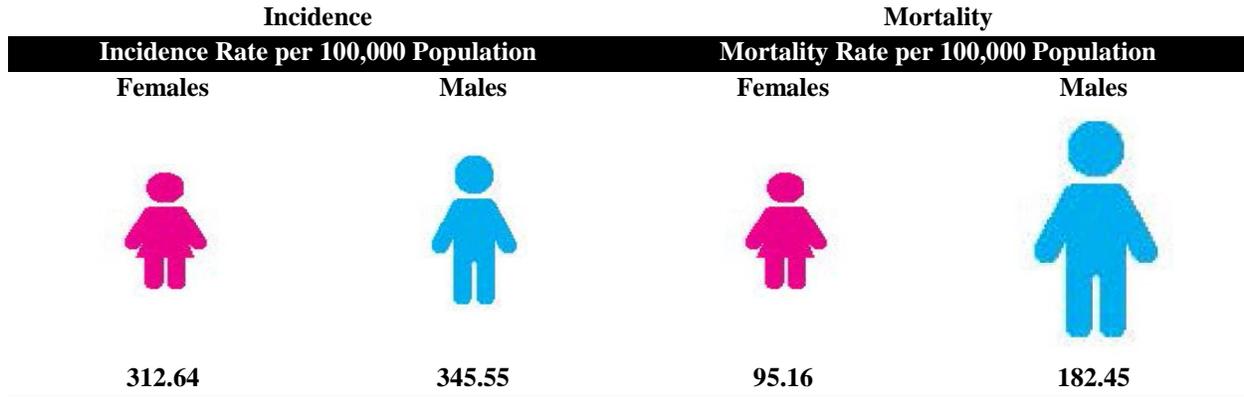
Chart 1. Cancer Incidence & Mortality Rates, Guam



Source: Guam Cancer Facts & Figures 2008-2012

In a data breakdown among gender, the cancer incidence rate for men was slightly higher than that for women, but the cancer mortality rate was nearly double. See Figure 1.

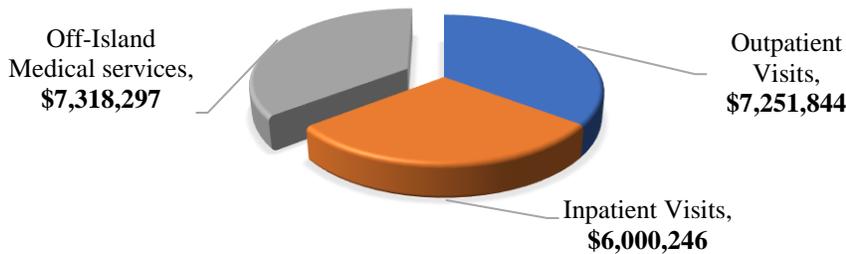
Figure 1. Cancer Incidence and Mortality Rates by Sex, Guam: 2008 – 2012



Source: Guam Cancer Facts & Figures 2008-2012

From 2007 to 2011, 95% of cancer diagnostic and therapeutic services were obtained in Guam, and the remaining 5% were procured off-island. The five-year actual cost of direct medical services amounted to \$20.5M, \$13.3M (or 55%) for on-island and \$7.3M (or 45%) for off-island. See Chart 2.

Chart 2. Direct Medical Services CY 2007-2011



Source: Guam Cancer Facts & Figures 2008-2012

According to analysis of cancer on Guam, new cancer cases increased and mortality has not decreased unlike in the United States, where it is declining. Cancer remains a priority health issue for the Guam community. The continued rise in cancer incidence foretells an increasing future economic burden.

**Guam Cancer Trust Fund
Creation and Administration**

Created by Public Law (P.L.) 30-80 in 2010, the GCTF provides financial assistance to organizations that provide patient-directed services for the prevention of cancers, its treatment, diagnosis, and other services that may be required to access treatment, including, but not limited to, off-island transportation and temporary housing.

The collaboration efforts of the Coalition for a Tobacco-Free Guam, Department of Public Health and Social Services, Department of Mental Health and Substance Abuse and other organizations led to the successful passage of P.L. 30-80. This contributed to the increased tax on all tobacco products in Guam. The GCTF is a prevention objective of the GCCC program coalition and partners in successfully implementing the Guam Cancer Plan.

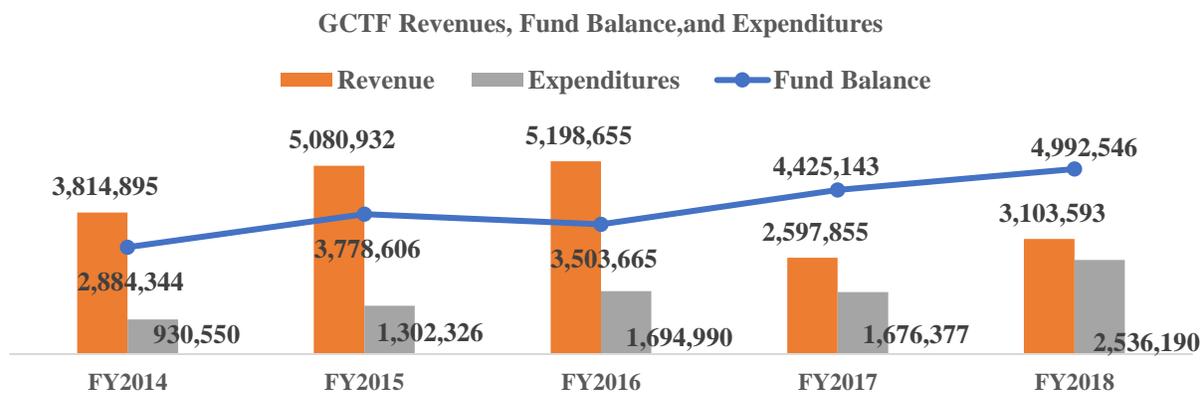
UOG delegated the oversight function to UOG’s ORSP, while the recording, accounting and investment functions to UOG’s Business Office/Comptroller’s Office. The GCTF Rules and Regulations authorized UOG to spend not more than 10% of the GCTF balance for administrative expenses as recommended by the GCTF Council and approved annually by the President.

The Department of Administration (DOA) issues check allotments based on legislative appropriations, which are deposited in UOG’s checking account (GF: G/L No. 10-30-360004-P-5). These deposits are withdrawn from the account via checks issued to pay for grantees’ payouts, administrative expenses and investments to local financial institution.

Funding Source and Financial Statements

P.L. 30-80 designated 15% of the Healthy Futures into GCTF, which shall be held in a separate bank account and apart from all other GovGuam funds. GCTF receives an annual appropriation from the Legislature.

Based on GCTF’s financial statements for FY 2014 through FY 2018 posted in the UOG website, we gathered trends of revenues, expenditures, and fund balances as shown in Chart 3.



Results of Audit

Our audit of the GCTF, from FY 2014 through FY 2018 found inefficiencies, violations and non-compliance with GCTF governing laws, program objectives and lack of documentation. These resulted in ineffective management of revenues, questionable GCTF awards and payouts, and undetermined program results. Specifically, we found:

- Lapses and inefficiencies in the management of GCTF revenues
 - Legislative appropriations under-remitted by DOA
 - GCTF cash balance co-mingled with other UOG funds
 - GCTF available for awards to NPOs underutilized
 - Administrative salaries exceeded limit and budget
 - Erroneous classification of expense accounts
- Apparent violations or flaws on GCTF pay-outs
 - NPO A personnel costs comprise 56% of the award;
 - Appearance of conflict of interest
 - NPO A reimbursement deficiencies
 - Expenditures were reimbursed without sufficient documentation
 - Deficiencies on invoices and Payment Request Form
 - Questionable utilization of start-up costs
 - Erroneous calculation of administration costs
- Deficiencies in grant processes and compliance with the terms of grants
 - Review of grant applications with apparent pattern not documented
 - Noncompliance with grant reporting and documentary requirements
 - Application review process and other documentary deficiencies
 - Grantee progress report deficiencies
 - No inventory of GCTF equipment; no audit of grant program
- Other Matters
 - GCTF policies and governing documents need review and updating
 - Status of compliance with PL 31-102

Lapses and Inefficiencies in the Management of GCTF Revenues

Legislative Appropriations Under-Remitted by DOA

GCTF's main source of revenue is the annual legislative appropriation of 15% from the Healthy Futures, funded from taxes collected on tobacco and alcohol sales revenues. Based on legislative appropriations between FY2014 and FY2018, the Legislature appropriated between 10% and 14% of the Healthy Futures projected revenues to GCTF with a five-year total of \$12.8M. However, the allotments received from DOA amounted to \$10.4M only or short by \$2.4M.

Table 2. Legislative Appropriation vs. DOA Allotment Payments

	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Appropriation	\$2,051,204	\$2,281,192	\$2,867,255	\$2,781,109	\$2,786,270	\$12,767,030
Allotment Received	<u>\$2,051,204</u>	<u>\$1,330,695</u>	<u>\$1,433,627</u>	<u>\$2,781,109</u>	<u>\$2,786,270</u>	<u>\$10,382,905</u>
Under Remittance	\$0	(\$950,497)	(\$1,433,628)	\$0	\$0	(\$2,384,125)

Based on March 2019, OPA audit report on DOA Special Revenue Funds, DOA borrowed \$1M from the Healthy Futures, of which 15% could have been earmarked for the GCTF. Also affecting the GCTF is the collection of tobacco tax. Based on May 2018, OPA audit report on DRT Tobacco Tax, only 1% of imported tobacco is being taxed and collected upfront while the other 99% were not collected immediately.

GCTF Balance Co-mingled with other UOG Funds

Per P.L. 30-80, GCTF shall be held in an account in a financial institution separate and apart from all other accounts and funds of GovGuam. As of this report date, UOG has no separate bank account specifically for GCTF.

FY 2014 to 2016, the GCTF had an average year-end fund (cash) balance of \$3.9M. Due to the absence of a Balance Sheet report, we could not determine whether these funds were deposited, invested or had earned interest. Our inquiry with the Business Office confirmed co-mingling of GCTF funds (cash) with other UOG funds:

- There were no GCTF identified investments in Certificates of Deposits (CD) in FY 2014 and FY 2016 for GCTF (cash) balance of \$2.9M and \$3.5M, respectively.
- Of the FY 2018 GCTF (cash) balance, \$732K was part of the UOG checking account balance.
- Accumulated interest for \$86K earned on the GCTF’s CDs were automatically credited to Business Share Savings where interest earned from other UOG investments were deposited.
- Investments in CD’s at a local financial institution are registered under the name of “University of Guam” and not identified as GCTF.

The Business Office/Comptroller’s Office stated that GCTF allotments were initially deposited to UOG’s checking account, together with the other allotments for UOG. These deposits are withdrawn via checks to reimburse grantees’ expenditures (payouts), administrative expenses and CD investments. UOG maintained a separate fund account for GCTF transactions. In the GCTF May 2016 Council meeting minutes, it was mentioned that the Business Office/Comptroller’s Office would open an account specific for GCTF.

Co-mingling of the GCTF (cash) with other institutional funds is a violation of a legal provision requiring that the GCTF be maintained in a *separate bank account* apart from other GovGuam funds. For better control and transparency, we recommend compliance with the law.

GCTF Available for Awards to NPOs Underutilized

P.L. 30-80 authorizes UOG to allocate up to 75% of the GCTF’s balance to non-profit and charitable organizations (NPO) providing cancer screening, treatment, support services, cancer education and outreach programs. Based on our analysis of the data provided, we found that only 50% to 84% or an average of 69% of the GCTF’s prior year fund balance available for award to NPOs were utilized; thus, funds accumulated. The funds were underutilized due to the limited number of requests from eligible NPOs. See Table 3.

Table 3. Available Funds vs. Contracts

FY	Fund (Cash) Balance End	Available For Awards (75%)*	Total Contracts Awarded	% Utilized
2013	\$2,439,541	<i>Not covered</i>	<i>by this</i>	<i>audit</i>
2014	\$2,884,344	\$1,829,655	\$1,286,280	70%
2015	\$3,778,606	\$2,163,258	\$1,467,138	68%
2016	\$3,503,664	\$2,833,955	\$2,384,623	84%
2017	\$4,425,143	\$2,627,748	\$1,984,994	76%
2018	\$4,992,546	<u>\$3,318,857</u>	<u>\$1,654,274</u>	50%
Total	--	\$12,773,473	\$8,777,309	69%

The Business Office/Comptroller’s Office invested the accumulated unspent GCTF, 90% in FY 2017 and FY 2018 on CDs at **0.9%** interest rate. We learned that other local financial institutions are giving between 1% and 1.25% interest for six (6) months CDs amounting to \$100K and above. These GCTF investments were not outlined in the UOG Investment Policy Statement. The Investment Manager may need to solicit other financial institution's interest rate offers to maximize earning on unused funds.

We recommend active communication between the GCTF Administration and the Business Office/Comptroller’s Office about availability of funding. We also suggested the GCTF Administration might need to venture into educating interested but unqualified applicants in writing grant applications. The public needs to be aware of the existence of GCTF to encourage eligible organizations to apply and maximize its **direct** use for cancer patients. There is a need for a proactive effort to publicize the GCTFs’ services to the community; otherwise, these will be underutilized.

Administrative Salaries Exceeded Limits and Budget

Approved Administrative Budget

From FY 2014 to FY 2018, we noted that the approved budget for administrative expenses were not thoroughly formulated and reviewed. Except for FY 2017, the budgeted amounts were sometimes way above actual expenditures and expense categories, and amounts appeared consistent through the years. In FY 2017, actual administration expenses exceeded the budget by \$19K. See Table 4 below.

Table 4. GCTF Administration Budget

FY	Total Budget	Total Expenditures per FS	Excess Budget	Equipment & Supplies	Printing & Advertising	Training & Others
2014	109,600	29,337	80,263	7,000	12,500	19,600
2015	107,100	88,483	18,617	7,000	12,500	19,600
2016	107,100	71,047	36,053	7,000	12,500	19,600
2017	110,100	129,500	(19,400)	10,000	12,500	19,600
2018	138,000	81,486	56,514	11,000	8,000	20,500

We suggest that the annual budget be carefully studied and reviewed to reflect realistic expenditures needed for GCTF administration.

Administration Expenses Exceeding Limit

UOG Rules and Regulations stated that from a portion of the GCTF’s fund balance for the administration of GCTF, the amount will be less than 10%. However, paid administrative expenses in FY 2015 and FY 2017 exceeded the 10% limit. See Table 5 below.

Table 5. Administration Expenditures above 10% limit

FY	Available Funds for Administration (25%)	10% Limit	Total Administrative Expenses	Excess	% Spent
2015	\$721,086	\$72,109	\$88,483	\$16,374	12%
2017	\$875,916	\$87,592	\$129,500	\$41,908	15%
Total				\$58,282	

The largest expenses for FY 2015 were the salaries and benefits totaling \$70K, and subscription and membership dues for \$64K in FY 2017.

Personnel Expenses Exceeding Budget

Based on GCTF financial statements, expenses for salaries of personnel administering the GCTF exceeded its budget from \$7K to \$25K. See Table 6 below.

Table 6. GCTF Administrative Personnel Expenses

FY	Administration Support Tech.	Fiscal Account Manager	Total	Budget	Excess
2015	\$59,408	\$5,140	\$64,548	\$40,000	\$24,548
2016	\$43,521	\$5,000	\$48,521	\$40,000	\$8,521
2017	\$44,389	\$5,000	\$49,389	\$40,000	\$9,389
2018	\$45,057	\$15,136	\$60,193	\$53,000	\$7,193
Total					\$49,651

Erroneous Classification of Expense Accounts

Some GCTF administration expenses, specifically the fiscal manager services, were classified to “Miscellaneous” (FY 2016) or “Other Contractual Services” (FY 2015), and the cost of vaccines, photography and children’s books to “Subscription Dues/Membership” (FY2017). Proper expense accounts should be “Fiscal Manager Services” and “Contractual Services” respectively. Another example is the \$5K Miscellaneous Expense in FY 2015, which was a fund transfer to the Controller’s Fund, used for Western Association of College and University Business Officers (WACUBO). This should be classified under “Training” if spent for training.

Misclassifying expense accounts would not reflect the true and accurate amount of certain expenditures needed for budget comparison and decision-making.

Apparent Violations or Flaws on Funds Payouts

Top Five Grantees

From FY 2014 to FY 2018, GCTF awarded contracts totaling \$8.8M to ten (10) grantees with total payouts of \$7.7M (or 88%). The top five grantees received \$8M (or 91%) of the award with total payouts of \$7M (or 87%). Refer to Table 7.

Figure 2. Illustration of Awarded Contracts

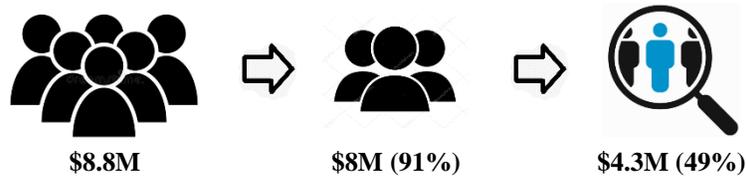


Table 7. Top 5 Grantees

Grantee	Total Contract	% to \$8.8M Total Contract	Total Payouts	% of Payouts to Contract
NPO A	\$4,270,186	49%	\$3,987,257	93%
NPO B	\$1,856,339	21%	\$1,623,491	87%
NPO C	\$1,150,000	13%	\$963,860	84%
NPO D	\$372,625	4%	\$399,835	107% *
NPO E	\$357,402	4%	\$-	-
Total	\$8,006,552	91%	\$6,974,443	87%

*could be due to timing difference

NPO A

Out of ten (10) grantees, NPO A received a total of \$4.3M or 49% of all contracts awarded. Being the largest grantee, we sampled for our examination and analysis, NPO A's contracts, payouts and grant activities. We chose FY 2018 for our testing. See Table 8 below for NPO A's breakdown of expenditures based on awarded project costs from FY 2014 to FY 2018.

Table 8: NPO A Expenditures, FY 2014 - FY 2018

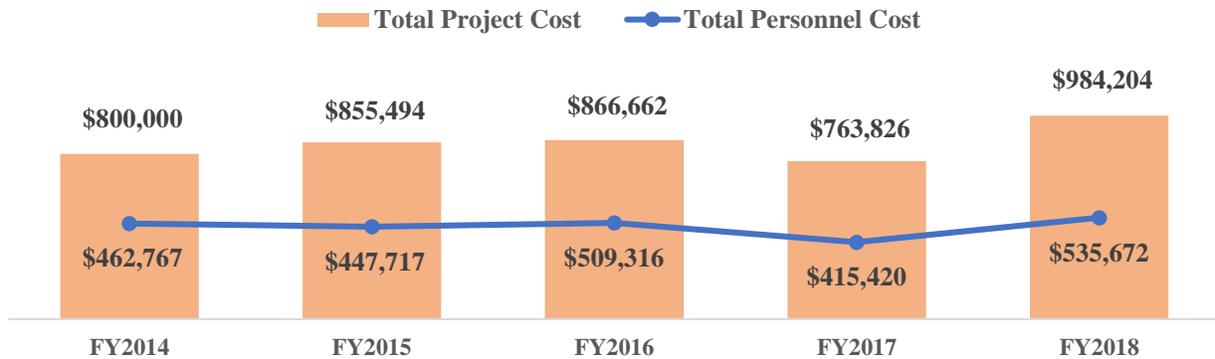
Expenditures	Total Amount
Salaries & Benefits ¹	\$2,240,699
Financial Assistance	\$1,368,000
Patient Supplies	\$150,000
Screening Campaign	\$55,000
Public Outreach Campaign	\$50,000
Lease and Maintenance	\$46,000
Detection Fund	\$45,000
Fuel	\$31,000
Meetings	\$20,800
Education and Outreach Program	\$20,000
Subtotal	\$4,026,499
Administration Costs	\$365,547
Total Requested Project Cost	\$4,392,046
Total Awarded Project Cost	\$4,270,186

¹Excludes personnel cost of \$130,195 classified under Administration costs

NPO A Personnel Costs Comprised 56% of Award

From FY 2014 to FY 2018, the GCTF funded NPO A’s personnel costs (salaries & benefits inclusive of administration personnel) totaling \$2.4M, which comprised 56% of the total awarded project costs. For FY 2018 alone, personnel costs totaling \$535K (inclusive of administration personnel) comprised 54%. Personnel costs refer to salaries and benefits of twelve (12) 100% Full-Time Employees (FTE) such as Navigators, Coordinators, or Nurses, and two (2) 50% FTEs such as the driver and the administrator. Personnel costs per person ranged between \$42K and \$73K. See Chart 4 below.

Chart 4. Personnel Cost vs Project Cost



According to GCTF Council meeting minutes and email correspondence with NPO A, the Council expressed concerns, particularly on the overall personnel costs. The Council believed that the GCTF was the lone funding provider of the NPO A’s personnel costs. The Council requested that NPO A cut back on its personnel costs and increase funding amounts to direct services for eligible cancer patients. The GCTF Council’s request was not accompanied with application review/evaluation documents.

An email dated October 2017 sent to the GCTF Administration Technician from the GCTF Director stated that the President was satisfied with the application, and thus the Director voted yes to the application. The requested amount of \$984K for FY 2018 was approved without any adjustments and paid in full in March 2019.

Appearance of Conflict of Interest

According to UOG Procurement Rules & Regulations Chapter 11, Section 11.5.1.1 and 5 GCA Section 5628 of the Guam Procurement Law it is a ***breach of ethical standards for any government employee to participate directly or indirectly in a procurement when the government employee knows that he has financial interest pertaining to the procurement.*** Additionally, Section 11.5.3.1 of referenced rules, provides that the UOG President may grant a contractor a ***written waiver of the conflict of interest and permission to proceed with the transaction when the ethical conflict is insubstantial or remote.*** Prior to granting or denying a waiver, the Civil Service Commission with regard to government employee and the President with regard to a contractor, shall make investigation as it may deem appropriate and which does not violate the government employee’s or the contractor’s rights, privileges and immunities.

In addition, Section 11.5.1.3 of the referenced rules and Section 5628 of 5 GCA- requires that upon discovery of the conflict of interest, ***the employee shall promptly file a written statement of disqualification and shall withdraw from further participation.*** Section 5629 states that any employee who obtains any benefit from any territorial contracts with a business in which employee has financial interest shall report such benefit to the Civil Service Commission.

During our audit entrance conference in April 2019, a concern was expressed regarding a GovGuam employee managing NPO A. However, in our review of the GCTF Council meeting minutes and other documents, there was no discussion on the issue. The OPA received similar concerns in prior years. OPA received timesheets of the concerned employee, which showed a consistent 5:00 PM to 9:00 PM work hours spent daily at NPO A.

Our verification disclosed that, during the five-year period, GCTF paid a total of \$204K (50% FTE) for the salaries and benefits of NPO A's lone Administration employee. The personnel costs comprised 45% of NPO's total administration cost. All approved grant applications showed that same GovGuam employee acted as the NPO A's designated representative in matters relating to grant applications, contract execution, billing, and administration. He also signed as the Contractor (grantee) on all awarded contracts totaling \$4.3M. The Guam Procurement Law and UOG's Procurement Manual governed these contracts.

We further verified that the same Administration employee is concurrently receiving salaries and benefits ranging between \$60K and \$73K as a full-time (100% FTE) GovGuam employee. Based on some copies of email correspondence provided to OPA, we found that the NPO A's Administration employee sent and received messages to UOG personnel relative to its grant applications during office hours.

As of the issuance of this report, there were no documentation on any investigation and/or UOG President's waiver and approval. Additionally, there were no documentation on whether requirements per Section 11.5.1.3 and Section 5628 of 5 GCA were complied.

NPO A Reimbursement Deficiencies

Review of the reimbursed expenditures for FY 2018 found the following:

Expenditures were Reimbursed without Sufficient Documentation

UOG GCTF Rules and Regulations requires awarded NPOs to *submit monthly invoices for reimbursable expenses accompanied with a report on the number of people directly serviced and the services provided*. Moreover, the signed contracts specified that after the 20% startup cost, the remainder is payable *upon submission of monthly invoices with receipts*.

In FY 2018, NPO A was reimbursed for expenditures totaling \$984K based on invoices, which were only described as "reimbursement for expenditures" for certain months. There was no sufficient documentation such as timesheets, sellers' invoices, contracts, vouchers, receipts of financial assistance, and other supporting bill records (without the protected patients' health information). Only the formatted financial and expenditure monthly report accompanied the invoices.

The GCTF Administration confirmed that all reimbursements were only supported with invoices and patients log from FY 2014 to FY 2016 and only with invoices for FY 2017 and 2018. Total expenditures reimbursed for five years was \$4M.

These basic reimbursable documents are vital to prove that funds disbursed to grantees were spent for the direct or indirect benefit of the cancer patients. There is a need for detailed tracking of grants to ensure funding is going directly to the cancer patients.

According to GCTF Administration, obtaining documentation may put them in violation of the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The HIPAA rule requires appropriate

safeguards to protect the confidentiality and security of individual's personal health information, and set limits and conditions on the uses and disclosures of such information without patient authorization. We acknowledge the confidentiality of patient's health information based on HIPAA; however, most of the required documents to support reimbursements, particularly personnel timesheets, do not require disclosure of patient's name and other individually identifiable health information. If the GCTF Administration received documents from the NPOs that contain confidential health information, it should exercise extra care and advise the NPOs to redact the patient's identity or use codes. They should maintain a protected electronic file of information or manual files in locked cabinets.

Deficiencies on Invoices and Payment Request Form (PRF)

UOG GCTF Rules and Regulations requires awarded NPOs to *submit monthly invoices for reimbursable expenses*. Before the invoices are processed, these are signed by the GCTF Director and the UOG President. Additionally, a PRF is executed by the GCTF Administration Office requesting the Business Office to issue checks to pay for the grantees' invoices. Based on PRF, this should be signed by the Preparer (Administrative Technician), Certification/Audited by (Business Office/Comptroller's Office), and Approving Official (President).

We noted that the seven (7) paid invoices from April 2018 to September 2018 totaling \$651K did not bear the signatures of the mentioned signatories. Moreover, these were not supported with PRFs. The three PRFs on file for invoices totaling \$333K were not signed by the Business Office/Comptroller's Office, which signifies that no review/audit of documents were made prior to issuance of checks.

According to the Business Office/Comptroller's Office, no review was done since the Administration Office did not submit receipts/documents for review. Moreover, Business Office/Comptroller's Office stated that the Administration Office has to review the reimbursement documents being the oversight of GCTF. To strengthen control over disbursements, we recommend that the Business Office/Comptroller's Office conduct an independent review/audit of supporting documents before reimbursing the grantees.

Questionable Utilization of Start-Up Costs

Per UOG Rules and Regulations, grant startup cost may be awarded as a percentage of the award (up to 20%) as agreed to in the terms of the award agreement. A provision of the signed contracts states the GCTF *will pay 20% of award* upon initial invoice. However, there is no clear policy guideline on what comprises startup costs, what NPOs are eligible, when should the costs be expended and liquidated, and what documents are needed to support the expenses.

A start-up cost of \$197K (or 20%) of the award amount was paid to NPO A in January 2018. However, these were liquidated in January 2019, supported with three invoices totaling \$211K for expenses incurred in October 2018 to December 2018. The period claimed, which was after expiry of the grant on September 30, 2018 signified that funds were not used for startup costs. The GCTF Council approved a no-cost extension since the NPO did not exceed the grant amount. Final payment of the grant balance was made in March 2019.

These startup costs, if incurred during the early months of the project, should have been liquidated earlier and not after the end of the award period. Liquidation of start-up costs at the end of the contract period demonstrated there was no need for initial funding. Note that the NPO has been awarded the same type of contract from FY 2014 to FY 2018. We recommend clear policy guidance on startup costs so that GCTF would be used for their intended purpose.

Erroneous Calculation of Administration Cost

Per UOG Rules and Regulations, the grantee may propose up to 5% of the amount requested for the administration of the funds and comply with reporting requirements. P.L. No. 32-16, effective in December 2014, increased the percentage to 15%. For FY 2018, the NPO was reimbursed for \$98K administrative expenses, which is 10% of the grant amount of \$984K. However, based on the total project cost applied of \$886K, the amount requested for reimbursement should have been \$89K (@10%) only, thus over by \$9K. The \$98K was added to the total project cost of \$886K to arrive at the total requested grant of \$984K. This showed that the amounts reflected in the grant application was not thoroughly reviewed.

Deficiencies in Grant Processes and Compliance with Grant Terms

We noted deficiencies in GCTF Council member’s review of grant applications and related processes and lack of documentation.

Review and Approval of Grant Applications with Apparent Pattern Not Documented

We cannot determine if the GCTF Council performed a thorough review process of grant applications due to the absence of documentation. In our review of the grant applications, we noted that NPO A’s applications for the five-year period disclosed an apparent pattern of projects (tasks), exactly the same or a slight variation in project costs and grant application write-ups with minor variations. Note that of the \$4.4M grant applied, \$4.3M (or 97%) was awarded. See Table 9 below.

Table 9: NPO A’s Requested and Awarded Project Costs

Project Description	FY 2014	FY2015	FY2016	FY2017	FY2018	Total
Task 1.0 – Patient Navigation & Advocacy Program	\$239,421	\$223,004	\$196,109	\$215,879	\$279,987	\$1,154,400
Task 2.0 – Financial Assistance Program	\$444,452	\$397,821	\$357,826	\$334,746	\$357,151	\$1,891,996
Task 3.0 – Transportation Program	\$42,444	\$42,444	\$32,444	\$40,887	\$48,439	\$206,658
Task 4.0 - Cancer Screening & Early Detection Program	\$149,450	\$149,450	\$121,844	\$80,655	\$80,655	\$582,054
Task 5.0 - Cancer Education & Outreach Program	\$-	\$-	\$71,839	\$-	\$119,552	\$191,391
Administrative Cost	\$46,093	\$42,775	\$86,600	\$91,659	\$98,420	\$365,547
Total Requested	\$921,860	\$855,494	\$866,662	\$763,826	\$984,204	\$4,392,046
Total Contract Awarded	\$800,000	\$855,494	\$866,662	\$763,826	\$984,204	\$4,270,186

We recommend that a thorough review be conducted on all grantees’ applications prior to awarding of contracts. Additionally, there should be documentation of the review and evaluation process, recommendation through a Council Resolution, and President’ approval. This ensures transparency, accountability, fairness, and funds are awarded properly in accordance with its intended purpose.

Noncompliance with Grant Reporting and Documentary Requirements

Application Review Process and Other Documentary Deficiencies

- No scoring sheets to document the review and evaluation process.
- No Council recommendation and Resolution for approval of application and funding.

- No award documentation approval from UOG President. Some approvals were mentioned in some of the Minutes of Council Meetings but without dates.
- No record of discussions nor emails on deferred or pending evaluations, and other pending matters disclosed in the minutes of the meetings, and their final dispositions.
- Minutes of the meeting for FY 2018 did not indicate the names of the attendees.

The date of the UOG President's approval of grant application is very vital in determining when the parties could sign the contract. An example was the NPO A contract for FY 2018, which was disclosed as approved in the meeting dated February 2018 but all parties signed the contract in November 2017. Meanwhile, an email dated October 2017 from the GCTF Director informed the Admin Technician that the President approved the application.

Grantee Progress Report Deficiencies

NPO A did not submit reports and documents required from the grantees per UOG Rules and Regulations such as:

- Interim report six months after award is accepted.
- Comprehensive final report due 90 days after the award period ends.
- Annual financial expenditure report signed by grantee's financial officer.
- Publications, brochures, or educational materials produced by the award.

No Inventory of GCTF Equipment and No Audit of Grant Program

UOG Rules and Regulations established GCTF ownership of equipment purchased by the grantee from grant funds. Moreover, the equipment, supplies, or materials whether used or not used, must be reported in the NPO's final report of the grant.

There were no purchase or ownership documents, nor inventory of equipment purchased. From FY 2016 to FY 2018, the NPO charged vehicle insurance and maintenance of \$16K implying that a vehicle was funded by GCTF. Moreover, the GCTF Administration does not perform regular site visits on grantee's facilities.

The cancer grant program has never been audited since its inception in 2010. In the GCTF Council meeting in July 2016, there was a discussion on the request for an audit of the program.

Other Matters

GCTF Policies and Governing Documents Need Review and Updating

- UOG Rules & Regulations
 - Need to clearly define a direct cost for cancer patients especially on personnel cost; and
 - Clear definition of administration cost, education, and outreach programs as stated in the GCTF Council meetings.
- GCTF By-Laws need to be updated and finalized or, if not needed, then could be incorporated in the GCTF Rules & Regulations.

Status of Compliance with P.L. 31-102

In September 2011, the GCTF was appropriated with additional revenue from traffic violations relating to smoking in a vehicle when a child, under 17 years of age or younger, or pregnant woman is present. Violations of the act are subject to fines and penalties ranging between \$100 and \$500 depending upon the number of violations.

The Guam Police Department issued eight (8) citations between FY 2014 and FY 2018. Of the eight (8) citations, six (6) remain active/open, while two (2) were paid/closed. Citation payments collected by the Judiciary of Guam's Financial Management Division (FMD) were inadvertently recorded to a different payable account and not disbursed immediately to the GCTF. FMD is in the process of correcting these classifications and disbursements process. Once these are corrected, a check will be issued to GCTF.

Conclusion and Recommendations

Public Law No. 30-80, enacted in February 2010, created the GCTF. The GCTF receives legislative funding through annual appropriations to fund its grants and associated administration costs. However, DOA's allotment payments were short by \$2.4M based on budget appropriation of \$12.8M from FY 2014 through FY 2018. This decreased available funding for the grants.

FY 2018 marked UOG's eighth year of administering the GCTF. From FY 2014 to FY 2018, the GCTF Administration had performed a great service in facilitating funding to cancer patients via NPOs, thus saving valued lives of Guam citizens. However, some noncompliance, apparent violations, lapses, and inefficiencies were noted. This is significant in the administration and management of GCTF revenues, reimbursements and payouts, and review, recommendation, approval and monitoring of grants.

NPO A received the largest grant amount of \$4.3M with total payouts of \$4M or 93%. We noted questionable disbursements, activities and processes in NPO A's grants such as: a) personnel costs (56% of the award) which appeared to be solely funded by GCTF; b) appearance of conflict of interest; c) payouts without sufficient documentation; d) questionable startup costs; and e) non-compliance with some grant reporting requirements. There should be sufficient and appropriate receipts and documents and independent review/audit of these documents prior to any payouts to grantees. There is also a need of detailed tracking on grants to guarantee funding is going directly to the cancer patients. Additionally, proper documentation on grant processes must be required at all times to ensure fairness, transparency and accountability. The absence of an effective system of monitoring grant compliance would deprive a performance assessment if grant-funded projects are successful.

Lapses and inefficiencies would result in; 1) ineffective management of revenues, 2) insufficient and improper review and evaluation of grant applications; 3) potential unfair awarding of grants; and 4) transparency issues if funds reached its intended beneficiaries.

The key officials involved in GCTF processes should significantly improve on their fund management and implementation of required grant processes. The officials entrusted to manage GCTF also need to strengthen controls and adopt a monitoring mechanism so that the awards granted best align with GCTF's mission, ensure appropriateness of grant reimbursements and grantees met grant milestones. There is a need for collaboration among the GCTF Administration, GCTF Council, and Business Office/Comptroller's Office to exert effort to comply and adhere to legal requirements, policies, rules and regulations.

By maximizing fund availability and spending funds appropriately, more cancer patients needing help will be benefited and would save more lives.

We recommend the following:

- **UOG President, ORSP Director, GCTF Council and GCTF Administration**
 1. Strictly comply with the legislative requirement to maintain a separate deposit account for GCTF;
 2. At the end of fiscal year, establish and communicate among each other, funds available for award to the grantees, administrative expenses and investment;
 3. Strictly enforce grant payouts on a reimbursement basis with sufficient documentation;

4. Conduct and document grant application evaluation process based on established criteria, and maintain record of the results of evaluation, recommendation, and the President's approval;
 5. Strictly monitor compliance of grantees' reportorial requirements, progress reports, and results of the grant, as well as conduct site visits;
 6. Conduct review and make necessary updates on GCTF Rules and Regulations especially on direct personnel costs, startup costs, outreach programs, administration costs, and fiscal manager fees; and
 7. Resolve issues on apparent conflict of interest.
- **UOG Business Office/Comptroller's Office**
1. Conduct an independent review/audit of grantees' invoices, receipts and other reimbursement documents prior to processing of checks for grant payouts.
- **DOA Director:**
1. Refrain from borrowing funds from the Healthy Futures and remit to UOG the full appropriated amount for GCTF; and
 2. Issue a separate check allotment for GCTF.

Classification of Monetary Amounts

	Finding Description	Questioned Costs	Unrealized Revenues	Potential Savings & Other Financial Impact	Total
1.	Lapses and Inefficiencies in Management of Revenues				
	a. Legislative appropriation under remitted	\$	\$2,384,125	\$-	\$2,384,125
	b. GCTF balance co-mingled with other UOG funds	\$-	\$-	\$-	\$-
	c. GCTF available for award to NPOs underutilized	\$-	\$-	\$-	\$-
	d. Administrative salaries exceeded limit and budget	\$107,933	\$-	\$-	\$107,933
	e. Erroneous classification of expense accounts	\$-	\$-	\$-	\$-
2	Apparent Violations or Flaws on GCTF Payouts				
	a. NPO A's personnel costs comprised 56% of the award	\$535,672	\$-	\$-	\$535,672
	b. Appearance of conflict of interest	\$204,074	\$-	\$-	\$204,074
	c. NPO A reimbursement deficiencies				
	1. Expenditures were reimbursed without sufficient documentation.	\$3,040,828 ¹	\$-	\$-	\$3,040,828
	2. Deficiencies on invoices and Payment Request Form	\$-	\$-	\$-	\$-
	d. Questionable utilization of start-up costs	\$196,841	\$-	\$-	\$196,841
	e. Erroneous calculation of administration costs	\$9,842	\$-	\$-	\$9,842
3	Deficiencies in Grant Processes & Non-Compliance of Terms of Grants				
	a. Review and approval with grant application with apparent pattern not documented	\$-	\$-	\$-	\$-
	b. Non-compliance of grant reporting and documentary requirements	\$-	\$-	\$-	\$-
	1. Application review process and other documentary deficiencies				
	2. Grantee progress report deficiencies				
	c. No inventory of GCTF equipment; No audit of grant program	\$-	\$-	\$-	\$-
4	Other Matters				
	a. GCTF policies and governing documents need review and updating	\$-	\$-	\$-	\$-
	b. Status of compliance with PL 31-102	\$-	\$800	\$-	\$800
	Total	\$4,095,190	\$2,384,925	\$-	\$6,480,115

¹ Based on total payout of \$3,987,257 from FY 2016 ~ FY 2018, net of items 2a, 2b, 2e, & 2f.



OFFICE OF THE VICE PRESIDENT
Administration and Finance

December 16, 2019

Benjamin J.F. Cruz
Public Auditor
Office of Public Accountability
Suite 401 DNA Building
238 Archbishop Flores St.
Hagåtña, GU 96910

Dear Auditor Cruz:

The University of Guam appreciates this opportunity to provide feedback to the draft report of the Office of Public Accountability related to the Guam Cancer Trust Fund (GCTF).

Regarding the commingling of funds, the University manages a number of different funds and yet we utilize one University checking account for all the funds. We do not believe this is a violation of law or regulation but is a standard in the financial industry to utilize a common checking account for multiple funds. We have corrected the interest earned that was incorrectly removed from the GCTF. The 732,000 figure that represented UOG funds in the GCTF was due to drawdowns that had not yet been removed from the Fund. We will take steps we need to ensure transfers in and out of the fund are promptly completed.

The third finding states "Funds Awarded to NPOs Underutilized." The University has worked very hard to build up the base of NPOs utilizing the GCTF. We have tried to scrutinize the expenditure of funds to ensure that the funding will be put to good use. There is no requirement in law to award all of the available funds in any given year. We believe this finding should be modified and the word "short-changed" should be removed.

In the finding related to NPO A Personnel Costs we recognize that an issue was raised with regards to a recommendation made by the GCTF Council to reduce the grant made to NPO A which was not followed and not documented. We understand that our documentation of actions and decisions of the board needs to improve.

In the finding titled "Appearance of Conflict of Interest" the issue is raised that the designated representative of NPO A is also a government of Guam employee. We believe it should be clarified that the University was not aware of this situation. We will take steps to try to ensure this type of issue is surfaced during the RFP process for future sub-grants.

In the finding titled "Insufficient Documentation on NPO A's Reimbursed Expenditures" it is pointed out that the support for billing records does not meet the standard set forth in our standard agreement. We will correct this deficiency.

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Mailing Address: 303 University Drive UOG Station Mangilao, Guam 96913

The University of Guam is a U.S. Land Grant Institution accredited by the Western Association of Schools and Colleges Senior College and University Commission and is an equal opportunity employer and provider.

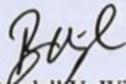
In the finding "NPO A's Start-up Cost Utilization Questionable" it is recommended that the University establish a clear policy on the use of start-up costs. We concur with this finding.

With regards to the finding regarding "Grant Applications with Apparent Pattern Not Documented", we concur with this finding and are committed to approving our documentation of decisions made by the Council. We will be more aggressive in the way we look for patterns in proposals to make sure applicants are not just cutting and pasting prior year's proposals.

With regards to the finding titled "Grantee's Non-Compliance with Grant Requirements. We concur with the finding and are committed to improving our performance in requiring NPO's to meet their filing requirements.

Again, we thank you for the opportunity to respond to the report. As I mentioned previously, we have been proud of the work performed by the University in the management of the Guam Cancer Trust Fund. This report has helped us to recognize we have some areas that require improvements to our management of the program.

Sincerely,



Randall V. Wiegand
Vice President, Administration and Finance



DEPARTMENT OF ADMINISTRATION
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December 06, 2019

Benjamin J.F. Cruz
Public Auditor
Office of Public Accountability
Suite 401 DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY
BY: JM
DATE: 12.10.19
TIME: 10:10 AM PM

Buenas yan Hafa Adai Mr. Cruz,

Thank you for your letter dated December 06, 2019 relative to the audit of the Guam Cancer Trust Fund (GCTF), administered by the University of Guam (UOG).

We comment on your recommendations as follows:

- 1. Refrain from borrowing funds from the Health Future Fund and remit to UOG the full appropriated amount for the GCTF.

For FY 2017, FY 2018 [and FY 2019], Department of Administration (DOA) has remitted the full appropriated amount to UOG. DOA would intend, in the absence of any major limiting factor, to continue to remit full appropriated funding.

- 2. Issue a separate check allotment for the GCTF to facilitate deposit to GCTF's deposit account.

It is now the practice of DOA to remit allocations by EFT as this method is more cost effective. DOA would support making the remittance by a separate electronic deposit to GCTF's account and will make arrangements accordingly.

Thank you for the opportunity to offer a response to this GCTF audit funding.

Senseraamente,

EDWARD M. BIRN
Director, Department of Administration

cc: Edith C. Pangelinan, Deputy Director, DOA
Gaudencio (Goody) Rosario, Deputy Financial Manager, Division of Accounts, DOA

In November 2019, we provided preliminary draft reports to the UOG President. In the same month, we met with UOG President and UOG-GCTF Administration to discuss findings and recommendations.

Based on discussions of the preliminary draft report, a revised draft report was provided to the UOG President in December 2019.

In UOG's management response, UOG's Vice President of Finance generally agreed with our findings. Refer to UOG's official management response.

In DOA response, the Director generally agreed with the findings. DOA has already implemented our recommendations. Refer to DOA official management response.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, document the progress in implementing the recommendations, and endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting UOG to provide us with a target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation and assistance from the staff and management of UOG.

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz
Public Auditor

Appendix 1:**Objective, Scope, and Methodology**

Our audit objectives were to determine if the Guam Cancer Trust Fund (GCTF) was:

- Effectively managed and properly accounted for;
- Expended in accordance with laws, rules, regulations and policies and procedures; and
- Grantees perform in accordance with terms of the grant.

Audit Scope:

Our scope covers GCTF activities from Fiscal Year (FY) 2014 through FY 2018 while the confirmation of GCTF bank balance was extended up to March 31, 2019.

Methodology

Our audit methodology included the review of pertinent laws, rules and regulations, policies and procedures, and other relevant documents such as minutes of council meetings, pertaining to the administration of the GCTF. Specifically, we performed the following:

- 1) Conducted interviews and walkthroughs with UOG officials and staff.
- 2) Identified and reviewed prior OPA performance audit reports, Government of Guam and University of Guam audited financial statements and other audit reports.
- 3) Identified, reviewed, and documented the OPA hotline tip and subsequent documentation.
- 4) Initially assessed internal control and audit risks associated with receipts and disbursement of the GCTF in the context of audit objectives.
- 5) Conducted initial fraud brainstorming.
- 6) Obtained and analyzed the GCTF financial statements and relevant financial reports from FY 2014 through FY 2018.
- 7) Obtained confirmation letter for the GCTF bank balances as of September 30, 2018, and March 31, 2019. Performed bank reconciliation.
- 8) Performed an analysis of GCTF appropriation, allotments, and investments, UOG administrative budgets, project costs and payouts of one NPO selected being the highest Grantee from FY 2014-FY 2018. Test of transactions was limited to FY 2018 only.
- 9) Obtained and performed an analysis and test of grant process compliance for FY 2018 only.
- 10) Evaluated some GCTF Administration functions, especially on grant monitoring.
- 11) Reviewed Grantee's compliance with some grant reporting and documentary requirements.

We conducted this audit in accordance with the standards for performance audits contained in the Government Auditing Standards issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Department of Administration, Special Revenue Funds, OPA Report No. 19-02, March 2019 Findings

- There were \$45.5M on permanent transfers from the SRFs to the General Fund. Of the \$45.5M, \$39M were covered by this audit which we found to be contrary to the SRFs legislative purposes;
- Permanent transfers were made without prior consent from Agency Directors or Fund Administrators;
- Approvals for some electronic fund transfers were not properly documented;
- Some provisions of Budget Acts and Public Laws were not complied with;
- A number of SRFs were poorly managed:
 - Expenditures exceeding their appropriations and/or revenues;
 - SRF cash balances reduced to zero or minimal accounts;
 - Revenues not timely deposited to SRF bank accounts.
- Inconsistent governance provisions on the roles and responsibilities of Agency Directors or Fund Administrators;
- Inconsistent law requirement to separate bank account for the SRFs;
- No specific written policies and procedures to ensure effective accounting, monitoring, and managing of SRFs; and
- A large number of SRFs exist at DOA, which include several dormant and inactive funds.

Recommendations:

- DOA Director, Agency Directors/Fund Administrators:
 1. Strictly comply with the provisions of SRFs enabling legislation on deposit, use, fund transfer restrictions, disbursement, and transfer approvals.
- DOA Director
 1. Refrain from borrowing funds from the SRFs for general government expenses without prior authorization and approval.
 2. If allowed, ensure that all interfund borrowings be repaid within a reasonable period.
 3. Properly document approval and authorization for the TOG to perform electronic fund transfers.
 4. Develop written plans, policies and procedures to ensure consistency in the opening, closing, inter-fund transfers, accounting, monitoring, reconciliation and reporting of SRFs.
 5. Establish and implement fund management controls to ensure that SRFs are effectively managed and used for its intended purpose. The controls should at least include:
 - a. Regular monitoring of fund activity and balances; and
 - b. Public disclosure of how funds are used when required by law.
 6. Implement prior audit recommendations and recommend to the Legislature the repeal or closure of existing inactive or duplicated SRFs.

- Legislature:
 1. Ensure enabling legislation clearly define the Agency Director or Fund Administrators and their roles and responsibilities in managing new SRFs.
 2. Ensure enabling legislations require separate bank accounts for SRFs to strictly enforce no comingling of funds.
 3. Immediately act on recommendations to repeal inactive funds.

Department of Revenue and Taxation, Tobacco Tax, OPA Report No. 18-04, May 2018**Findings**

- DRT's data on the number of Guam-licensed tobacco wholesalers did not match the number of taxpayers filing tobacco tax;
- CQA does not maintain comprehensive, detailed data on imported tobacco products;
- Tax receivables and deferred revenues are not recorded for the imported tobacco products stored in the DRT-controlled section of the wholesaler's warehouse;
- DRT and CQA do not reconcile the tobacco taxes reported to the tobacco shipments;
- GTD forms at CQA did not have the updated tax rates; and
- Variances between taxes paid and our calculations for total tax due identified what appears to be an underpayment of \$142K by one taxpayer and overpayments ranging from \$2K to \$46K by three taxpayers.

Recommendations:

- DRT Director,
 - Revise the processing of tobacco released to authorized warehouses, to include reconciliation of the wholesaler's gross receipts tax (GRT-3) filing with the quantities and weights of the tobacco already recorded with the tracer and withdrawal forms, as well as the recording of a tax receivable and deferred revenue;
 - Coordinate and reconcile tax filings to tobacco shipments at least annually; and
 - Revise the Guam Tobacco Deposit form to reflect the most recent tax rates and the effective revision date.
- CQA,
 - Coordinate and reconcile tax filings to tobacco shipments at least annually.

Appendix 3:**Status of Audit Recommendations**

No.	Addressee	Audit Recommendation	Status	Action Required
1.	UOG President, ORSP Director, GCTF Council, & GCTF Administration	<ol style="list-style-type: none">1) Strictly comply with the legislative requirement to maintain a separate deposit account for GCTF;2) At the end of fiscal year, establish and communicate among each other, funds available for award to the grantees, administrative expenses and investment;3) Strictly enforce grant payouts on a reimbursement basis with sufficient documentation;4) Conduct and document grant application evaluation process based on established criteria, and maintain record of the results of evaluation, recommendation, and the President's approval;5) Strictly monitor compliance of grantees' reportorial requirements, progress reports, and results of the grant, as well as conduct site visits;6) Conduct review and make necessary updates on GCTF Rules and Regulations especially on direct personnel costs, startup costs, outreach programs, administration costs, and fiscal manager fees; and7) Resolve issues on apparent conflict of interest.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation
2.	UOG Business Office/Comptroller's Office	<ol style="list-style-type: none">1) Conduct an independent review/audit of grantees' invoices, receipts and other reimbursement documents prior to processing of checks for grant payouts.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation
3.	DOA Director	<ol style="list-style-type: none">1) Refrain from borrowing funds from the Healthy Futures and remit to UOG the full appropriated amount for GCTF; and2) Issue a separate check allotment for GCTF.	OPEN	Please provide target date and title of official(s) responsible for implementing the recommendation



University of Guam
Guam Cancer Trust Fund
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MISSION STATEMENT

To ensure public trust and good governance in the Government of Guam, we conduct audits and administer procurement appeals with objectivity, professionalism, and accountability.

VISION

The Government of Guam is the model for good governance with OPA leading by example as a model robust audit office.

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**Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.**

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