



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