



**Government of Guam
Compliance Highlights
for the Year Ended September 30, 2009**

July 1, 2010

In fiscal year (FY) 2009, the government of Guam (GovGuam) and its various line entities, such as the Department of Public Health and Social Services (DPHSS), Department of Public Works, and Department of Labor (DOL) received close to \$232.4 million (M) in Federal awards from 15 grantor agencies. Majority of the Federal funds were from the U.S. Department of Agriculture (\$89.7M or 39%), the U.S. Department of Health and Human Services (\$47.8M or 21%), and the U.S. Department of Transportation (\$38.8M or 17%).

Of the \$232.4M in Federal awards, GovGuam was awarded \$34.9M in American Recovery and Reinvestment Act of 2009 (ARRA) funds from 23 Federal programs. Of this amount, only \$2.9M was expended in FY 2009.

Independent auditors Deloitte & Touche, LLP again qualified the Single Audit Reports on Compliance and Internal Controls of GovGuam in FY 2009. The qualification has remained since 1991, the earliest records the Office of Public Accountability has on file. For the first time in GovGuam history, there are zero questioned costs, a significant improvement from the \$1.9M in FY 2008. GovGuam also reduced the number of findings which are significant deficiencies to 10, an improvement from the 21 findings in the prior year. However, seven of these deficiencies are material weaknesses.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. These seven material weaknesses are as follows.

- **Procurement and Suspension and Debarment (09-02).** Because established procurement regulations were not enforced, the auditors questioned when the Bureau of Statistics and Plans used sole source procurement for a software license agreement. The purchasing agency did not have third-party documentation to indicate how management determined that no other vendor could provide the required goods or services.
- **Procurement and Suspension and Debarment (09-07).** There was insufficient documentation to demonstrate open competition. The procurement file lacked a request for bid advertisement, bid specifications, and the bid evaluation worksheet. DPHSS stated in its State Plan that it would partner with a particular vendor to provide training services to its service providers. The grantee believed

that the grantor's approval of the State Plan translated into the approval of sole sourcing to a specified vendor.

- **Eligibility (09-08).** DPHSS did not maintain case files in sufficient detail to demonstrate compliance with Medical Assistance Program (Medicaid) and Temporary Assistance for Needy Families (TANF) requirements. Specifically, all 141 tested cases aggregating \$1.7M did not have documentation to indicate that the income and eligibility verification system was used to verify eligibility. Varying number of case files also lacked copies of social security cards, copies of birth certificates, school verification, work registration, and residency documents. These findings are similar to those found in the OPA's Report No. 10-03, Performance Audit of the DPHSS's Medically Indigent Program (MIP).
- **Equipment and Real Property Management (09-10).** The government of Guam has not performed the required physical inventories of its property in FY 2009 or in the two prior years. This is a continuing finding from prior years.
- **Subrecipient Monitoring (09-03).** DOL's Retention and Monitoring Unit responsible for monitoring subrecipients was unaware of the requirement to determine Central Contractor Registration prior to awarding ARRA funds.
- **Special Test Provisions (09-04).** DOL did not identify and document, at the time of subaward, the Federal award number and the CFDA number, nor did it require the subrecipient to provide appropriate identification in the Schedule of Expenditures of Federal Awards and the Data Collection Form.
- **Reporting (09-05).** Total outlays reported on two required Federal award forms submitted by DPHSS did not reconcile with expenditures by \$402,000 and \$223,000 in the AS400 or other accounting records. In addition, two required reports were not provided for examination. This occurred because DPHSS management did not maintain underlying accounting records to support reported amounts and it appears that management did not prepare required reports.

As of September 30, 2009, the total unresolved questioned cost is \$4.6M. GovGuam was able to resolve \$3.2M in prior year questioned costs during FY 2009.

Management Letter

The independent auditors noted seven management findings relating to reconciliation, safekeeping of documents, monitoring of accounts receivables, etc.

- **Department of Administration's Division of Accounts (DOA).**
 - The reconciliation of a general ledger account did not timely record a transfer of \$8.5M from the General Fund to the Health and Security Trust Fund.
 - An official receipt could not be located to support collection of a solid waste receivable.

- A separate bank account was not established for the Recycling Revolving Fund, which was required by Public Law 27-38. An account was subsequently opened in June 2010 for this purpose.
- **Unified Courts of Guam.** The status of probation cases should be timely monitored to allow for the legal and timely write-off of expired probation cases. There was \$4.3M in allowances for probation cases that had no activities in excess of five years.
- **Customs, Agriculture, and Quarantine (CAQ).** The CAQ fund had a \$2.4M shortfall in FY 2009 primarily due to a building lease that was funded from airport collections and over expenditures. Airport collections were insufficient to cover the lease commitment. An operating transfer from the General Fund was necessary to cover the shortfall.
- **Office of the Attorney General.** Liabilities for the Child Support Collections and Unclaimed Checks accounts in the AS400 did not reconcile with the subsidiary ledgers provided by the Child Support Enforcement Division. There was a combined variance of \$2.2M.
- **DPHSS.** Administrative Costs for the Medically Indigent Program have not been specifically allocated in the general ledger account.

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