

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2000

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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 Carl T.C. Gutierrez
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, 2000, and have issued our report thereon dated October 31, 2001, 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 Guam Preservation Trust Fund, a Fiduciary Fund Type – Expendable Trust Fund; and the Port Authority of Guam (PAG) – a Component Unit – Propriety Fund; the omission of the Pension Trust Fund; the Guam Council on the Arts and Humanities Agency (CAHA), a Special Revenue Fund; 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. 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 29 through 118) as items 2000-30, 2000-31, 2000-33 and 2000-85.

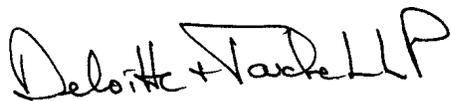
Internal Control Over Financial Reporting

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 2000-04, 2000-06, 2000-10, 2000-11, 2000-12, 2000-26 and 2000-31 through 2000-87.

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 2000-04, 2000-10, 2000-31, 2000-32, 2000-48, 2000-52, 2000-53, 2000-55, 2000-58, 2000-82, and 2000-85 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 use by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

October 31, 2001

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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 Carl T.C. Gutierrez
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, 2000. 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 29 through 118). 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 2000-01, 2000-02, 2000-03, 2000-07, 2000-08, 2000-09, 2000-13, 2000-14, 2000-15, 2000-16, 2000-18, 2000-19, 2000-21, 2000-22, 2000-23, 2000-25 through 2000-33 and 2000-85, in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding activities allowed or unallowed; 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 27). 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, 2000.

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.

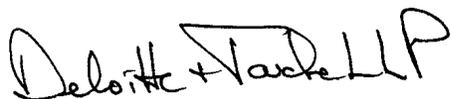
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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 2000-01 through 2000-33, 2000-85 and 2000-87.

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 2000-04, 2000-06, 2000-09, 2000-10, 2000-11, 2000-13, 2000-23, 2000-26, 2000-29, 2000-30, 2000-31, 2000-32, 2000-33, 2000-85 and 2000-87 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, 2000, and have issued our report thereon dated October 31, 2001, 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 Guam Preservation Trust Fund, a Fiduciary Fund Type – Expendable Trust Fund; and the Port Authority of Guam (PAG) – a Component Unit – Propriety Fund; the omission of the Pension Trust Fund; the Guam Council on the Arts and Humanities Agency (CAHA), a Special Revenue Fund; 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. 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 23) 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, 2001

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2000

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
U.S. Department of Agriculture	\$ 248,686	\$ 40,528,166	\$ 44,112,854	\$ 3,833,374
U.S. Department of Commerce	356,020	(147,994)	537,234	1,041,248
U.S. Department of Defense	1,672,861	705,034	1,282,060	2,249,887
U.S. Department of Housing and Urban Development	(487)	-	279,320	278,833
U.S. Department of the Interior	3,810,921	12,405,763	11,613,711	3,018,869
U.S. Department of Justice	265,979	1,574,196	5,063,130	3,754,913
U.S. Department of Labor	886,252	2,114,272	3,529,010	2,300,990
U.S. Department of Transportation	1,023,591	18,952,329	23,875,164	5,946,426
National Foundation on the Arts and the Humanities	148,429	466,330	650,351	332,450
U.S. Environmental Protection Agency	1,095,205	1,981,624	2,688,453	1,802,034
U.S. Department of Energy	17,177	(50,556)	280,858	348,591
Federal Emergency Management Agency	(1,934,380)	1,351,768	11,076,331	7,790,183
U.S. Department of Education	2,733,225	579,469	2,068,306	4,222,062
U.S. Department of Health and Human Services	2,503,088	50,376,305	64,848,925	16,975,708
Corporation for National and Community Service	(10,572)	68,078	465,694	387,044
Social Security Administration	26,728	1,470,976	98,247	(1,346,001)
GRAND TOTAL	<u>\$ 12,842,723</u>	<u>\$ 132,375,760</u>	<u>\$ 172,469,648</u>	<u>\$ 52,936,611</u>

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

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
		<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
10.551	Food Stamps	-	35,884,468	35,884,468	-
10.557	Special Supplemental Food Program for Women, Infants and Children	236,245	3,050,004	5,849,349	3,035,590
10.560	State Administrative Expenses for Child Nutrition	(358,003)	494,153	-	(852,156)
10.561	State Administrative Matching Grant for Food Stamp Program	142,672	877,431	1,751,169	1,016,410
10.572	WIC Farmers' Market Nutrition Program (FMNP)	12,821	-	104,047	116,868
10.664	Cooperative Forestry Assistance	209,408	222,110	523,597	510,895
10.769	Rural Development Grants	-	-	224	224
10.960	Technical Agricultural Assistance	(987)	-	-	(987)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 248,686</u>	<u>\$ 40,528,166</u>	<u>\$ 44,112,854</u>	<u>\$ 3,833,374</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
U.S. DEPARTMENT OF COMMERCE					
11.001	Census Bureau Data Products	\$ -	\$ -	\$ 28,988	\$ 28,988
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	57,341	-	82	57,423
11.407	Interjurisdictional Fisheries Act of 1986	8,301	-	84	8,385
11.419	Coastal Zone Management Administration Awards	244,930	(154,135)	445,822	844,887
11.427	Fisheries Development & Utilization Research and Development Grants and Cooperative Agreements Program	(4,692)	-	-	(4,692)
11.437	Pacific Fisheries Data Program	65,333	6,141	62,258	121,450
U.S. DEPARTMENT OF COMMERCE TOTAL		\$ 356,020	\$ (147,994)	\$ 537,234	\$ 1,041,248

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
U.S. DEPARTMENT OF DEFENSE					
12.110	Planning Assistance to States	\$ (158,735)	\$ 98	\$ 98	\$ (158,735)
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	215,293	16,753	360,304	558,844
12.400	Military Construction, National Guard	849,803	199,410	149,187	799,580
12.401	National Guard Military Operations and Maintenance (O&M) Projects	766,500	488,773	772,471	1,050,198
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 1,672,861</u>	<u>\$ 705,034</u>	<u>\$ 1,282,060</u>	<u>\$ 2,249,887</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</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>\$ (487)</u>	<u>\$ -</u>	<u>\$ 279,320</u>	<u>\$ 278,833</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
U.S. DEPARTMENT OF THE INTERIOR					
15.601	Guam Fish Sport Development	\$ 73,405	\$ -	\$ -	\$ 73,405
15.605	Sport Fish Restoration	189,566	219,411	579,925	550,080
15.611	Wildlife Restoration	(5,923)	29,155	164,916	129,838
15.612	Endangered Species Conservation	26,022	212,308	413,493	227,207
15.616	Clean Vessel Act	98	24,117	24,117	98
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	3,394,133	11,750,888	10,309,978	1,953,223
15.904	Historic Preservation Fund Grants-In-Aid	31,506	90,014	120,625	62,117
15.916	Outdoor Recreation - Acquisition, Development & Planning (Land and Water Conservation Fund Grants)	102,114	79,870	657	22,901
		<u>102,114</u>	<u>79,870</u>	<u>657</u>	<u>22,901</u>
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 3,810,921</u>	<u>\$ 12,405,763</u>	<u>\$ 11,613,711</u>	<u>\$ 3,018,869</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
U.S. DEPARTMENT OF JUSTICE					
16.000	Construction of Hagatna Territorial Detention Facility	\$ -	\$ 359,836	\$ 359,856	\$ 20
16.523	Juvenile Accountability Incentive Block Grants	87,232	1,540	456,406	542,098
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	11,040	-	174,353	185,393
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	5,147	(8)	88,763	93,918
16.548	Title V - Delinquency Prevention Program	5,510	8,412	25,489	22,587
16.549	Part E - State Challenge Activities	6,172	-	13,150	19,322
16.554	National Criminal History Improvement Program (NCHIP)	195,473	266,813	266,813	195,473
16.555	National Sex Offender Registry Grant	-	84,393	84,393	-
16.575	Crime Victim Assistance	32,814	1,400	324,048	355,462
16.579	Byrne Formula Grant Program	185,639	45,591	1,261,859	1,401,907
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(712,875)	-	150,921	(561,954)
16.585	Drug Court Discretionary Grant Program	-	37,154	37,154	-
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	29,718	-	8,982	38,700
16.588	Violence Against Women Formula Grants	352,199	134,988	528,529	745,740
16.589	Rural Domestic Violence and Child Victimization	13,565	1	4,433	17,997
16.592	Local Law Enforcement Block Grants Program	(33,787)	-	-	(33,787)
16.593	Residential Substance Abuse Treatment for State Prisoners	2,838	-	92,126	94,964
16.606	State Criminal Alien Assistance Program	-	201,251	192,909	(8,342)
16.710	Public Safety Partnership and Community Policing Grants	85,294	432,825	992,946	645,415
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 265,979</u>	<u>\$ 1,574,196</u>	<u>\$ 5,063,130</u>	<u>\$ 3,754,913</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ (6,098)	\$ 3,457	\$ 4,723	\$ (4,832)
17.005	Compensation and Working Conditions Data	9,711	23,197	26,407	12,921
17.203	Labor Certification for Alien Workers	(5,428)	5,001	52,919	42,490
17.207	Employment Service	177,612	406,842	979,622	750,392
17.235	Senior Community Service Employment Program	234,711	663,554	800,054	371,211
17.246	Employment and Training Assistance - Dislocated Workers	(78)	(78)	-	-
17.250	Job Training Partnership Act	354,848	789,220	1,018,964	584,592
17.253	Welfare-to-Work Grants to States and Localities	18,004	52,222	345,473	311,255
17.500	Occupational Safety & Health	18,680	52,645	105,290	71,325
17.503	Occupational Safety & Health - State Program	59,679	55,000	-	4,679
17.504	Consultation Agreements	24,611	63,212	195,558	156,957
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 886,252</u>	<u>\$ 2,114,272</u>	<u>\$ 3,529,010</u>	<u>\$ 2,300,990</u>

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
U.S. DEPARTMENT OF TRANSPORTATION					
20.005	Boating Safety Financial Assistance	\$ 165,514	\$ 170,175	\$ 283,253	\$ 278,592
20.205	Highway Planning & Construction	738,383	18,786,868	22,996,969	4,948,484
20.218	Motor Carrier Safety Assistance Program	26,413	37,994	304,091	292,510
20.600	State & Community Highway Safety	74,132	(42,708)	290,851	407,691
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants (HMTA Training and Planning Grants)	19,149	-	-	19,149
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 1,023,591</u>	<u>\$ 18,952,329</u>	<u>\$ 23,875,164</u>	<u>\$ 5,946,426</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts-Partnership Agreements	\$ 140,061	\$ 447,197	\$ 594,071	\$ 286,935
45.301	Institute of Museum and Library Services	7,658	-	-	7,658
45.310	State Library Program	710	19,133	56,280	37,857
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ <u>148,429</u>	\$ <u>466,330</u>	\$ <u>650,351</u>	\$ <u>332,450</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.458	Capitalization Grants for State Revolving Funds	\$ 801,070	\$ 1,197,098	\$ 396,028	\$ -
66.600	Environmental Protection Consolidated Grants - Program Support	292,474	781,900	2,282,699	1,793,273
66.810	CEPP Technical Assistance Grants Program	1,661	2,626	9,726	8,761
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 1,095,205</u>	<u>\$ 1,981,624</u>	<u>\$ 2,688,453</u>	<u>\$ 1,802,034</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 17,177	\$ (50,556)	\$ 280,858	\$ 348,591
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 17,177</u>	<u>\$ (50,556)</u>	<u>\$ 280,858</u>	<u>\$ 348,591</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</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)	\$ 11,021	\$ -	\$ 750	\$ 11,771
83.503	Civil Defense-State & Local Emergency Management Assistance	37,710	-	-	37,710
83.505	State Disaster Preparedness Grants	45,072	8,796	1,119	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	40,587	(26,810)	-	67,397
83.535	Mitigation Assistance	8,167	25,032	-	(16,865)
83.541	Disaster Unemployment Assistance	35,227	(1,308)	-	36,535
83.542	Fire Suppression Assistance	1,926	-	-	1,926
83.544	Public Assistance Grants	(2,463,533)	161,128	6,693,352	4,068,691
83.548	Hazard Mitigation Grant	395,187	1,072,652	4,086,721	3,409,256
83.552	Emergency Management Performance Grants	-	112,278	294,389	182,111
FEDERAL EMERGENCY MANAGEMENT AGENCY					
TOTAL					
		<u>\$ (1,934,380)</u>	<u>\$ 1,351,768</u>	<u>\$ 11,076,331</u>	<u>\$ 7,790,183</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1999	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
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)	2,288	4,299	10,096	8,085
84.035	Interlibrary Cooperation and Resource Sharing (LSCA - Title III)	1,832	-	-	1,832
84.041	Impact Aid	-	113,001	113,001	-
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	1,789,649	294,729	1,402,864	2,897,784
84.154	Public Library Construction and Technology Enhancement	1,030	167,440	167,440	1,030
	BALANCE FORWARD	\$ 1,341,782	\$ 579,469	\$ 1,693,401	\$ 2,455,714

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	U.S. DEPARTMENT OF EDUCATION BALANCE FORWARD	\$ 1,341,782	\$ 579,469	\$ 1,693,401	\$ 2,455,714
84.998	Consolidated Grant	881,914	-	-	881,914
84.161	Rehabilitation Services - Client Assistance Program (CAP)	7,351	-	4,861	12,212
84.169	Independent Living - State Grants	17,262	-	5,539	22,801
84.173	Special Education - Preschool Grants	15,571	-	-	15,571
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	122,105	-	13,800	135,905
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	305,435	-	350,705	656,140
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>\$ 2,733,225</u>	<u>\$ 579,469</u>	<u>\$ 2,068,306</u>	<u>\$ 4,222,062</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.000	Cost Pool Allocation Accounts	\$ 197,134	\$ 928,658	\$ 1,778,206	\$ 1,046,682
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	834	473	9,442	9,803
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)	14,340	10,757	71,719	75,302
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	-	975,607	4,755,113	3,779,506
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	177,391	2,263,222	3,075,348	989,517
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	20,431	61,111	63,160	22,480
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	33,887	201,268	228,391	61,010
93.127	Emergency Medical Services for Children (EMS for Children)	875	16,720	44,404	28,559
93.150	Projects for Assistance in Transition from Homelessness (PATH)	-	-	42,428	42,428
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	38,094	64,947	189,026	162,173
93.235	Abstinence Education	-	(5,087)	11,410	16,497
93.268	Immunization Grants	(16,901)	25,710	250,069	207,458
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	(5,493)	(13,043)	30,094	37,644
93.556	Family Preservation and Support Services	37,877	55,147	270,397	253,127
93.558	Temporary Assistance for Needy Families	295,831	31,939,349	28,654,774	(2,988,744)
	BALANCE FORWARD	<u>\$ 795,744</u>	<u>\$ 36,473,411</u>	<u>\$ 39,473,981</u>	<u>\$ 3,796,314</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 795,744	\$ 36,473,411	\$ 39,473,981	\$ 3,796,314
93.560	Family Support Payments to States: Assistance Payments (AFDC)	-	11	33	22
93.563	Child Support Enforcement	(466,954)	1,121,921	3,320,786	1,731,911
93.575	Child Care and Development Block Grant	730,357	5,002,206	4,731,349	459,500
93.600	Head Start	47	-	-	47
93.630	Developmental Disabilities Basic Support and Advocacy Grants	15,740	27,744	197,322	185,318
93.667	Social Services Block Grant	21,940	(31,901)	1,568,317	1,622,158
93.778	Medical Assistance Program (Medicaid; Title XIX)	551,728	6,762,893	13,676,358	7,465,193
93.917	HIV Care Formula Grants	813	39,690	1,174	(37,703)
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	-	-	57,746	57,746
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	34,547	98,706	182,541	118,382
93.945	Assistance Program for Chronic Disease Prevention and Control	-	1,725	-	(1,725)
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	20,804	20,591	79,815	80,028
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	647,581	626,019	399,691	421,253
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	27,325	1,535	92,483	118,273
93.982	Mental Health Disaster Assistance and Emergency Mental Health (Mental Health Disaster Assistance)	-	104,201	94,728	(9,473)
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	-	-	121,711	121,711
93.991	Preventive Health and Health Services Block Grant	56,764	(26,908)	274,477	358,149
93.994	Maternal and Child Health Services Block Grant to the States	66,652	154,461	576,413	488,604
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$ <u>2,503,088</u>	\$ <u>50,376,305</u>	\$ <u>64,848,925</u>	\$ <u>16,975,708</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ (14,643)	\$ 61,445	\$ 459,061	\$ 382,973
94.009	Training and Technical Assistance	4,071	6,633	6,633	4,071
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ (10,572)</u>	<u>\$ 68,078</u>	<u>\$ 465,694</u>	<u>\$ 387,044</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<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, 2000</u>
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ 26,728	\$ 1,470,976	\$ 98,247	\$ (1,346,001)
	SOCIAL SECURITY ADMINISTRATION TOTAL	<u>\$ 26,728</u>	<u>\$ 1,470,976</u>	<u>\$ 98,247</u>	<u>\$ (1,346,001)</u>
	GRAND TOTAL	<u>\$ 12,842,723</u>	<u>\$ 132,375,760</u>	<u>\$ 172,469,648</u>	<u>\$ 52,936,611</u>

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2000

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, 2000

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 2000 grant programs are based on 2000 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 1998. 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
- Guam Mass Transit Authority
- Port Authority of Guam
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Community College
- University of Guam

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, 2000

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, 2000, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Coupons issued and redeemed	\$ <u>35,884,468</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>35,884,468</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$13,009,652 at September 30, 2000.

Based on the actual food stamps issued and redeemed, the abovementioned noncash federal awards program was determined to be a major program for the fiscal year ended September 30, 2000.

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, 2000</u>
Guam Memorial Hospital Authority:	
Pass Through from Department of Administration Government of Guam:	
CFDA # 83.548 Hazard Mitigation Grants	\$ 1,101,259
Guam Waterworks Authority:	
Direct from U. S. Environmental Protection Agency	
CFDA # 66.458 Capitalization Grants for State Revolving Funds	396,028
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	1,235,349
CFDA # 83.544 Public Assistance Grants	72,050
CFDA # 83.548 Hazard Mitigation Grants	454,874

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 2000

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 2000 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamp Program	\$ 35,884,468
	10.561	State Administrative Funding for the Food Stamp Program	1,751,169
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	10,309,978
U.S. Department of Transportation	20.205	Highway Planning and Construction	22,996,969
Federal Emergency Management Agency	83.544	Public Assistance Grants	6,693,352
	83.548	Hazard Mitigation Grants	4,086,721
U.S. Department of Education	84.186	Safe and Drug-Free Schools and Communities: State Grants	350,705
U.S. Department of Health and Human Services	93.044	Special Programs for the Aging: Title III Part B: Grants for Supportive Services and Senior Centers	4,755,113
	93.045	Special Programs for the Aging: Title III Part C: Nutrition Services	3,075,348
	93.558/ 93.560	Temporary Assistance for Needy Families/ Family Support Payments to States: Assistance Payments (AFDC)	28,654,807
	93.563	Child Support Enforcement (CSE)	3,320,786
	93.575	Child Care and Development Fund	4,731,349
	93.778	Medical Assistance Program (Medicaid)	<u>13,676,358</u>
Total Federal Programs selected for audit			\$ <u>140,287,123</u>
Total Federal Awards program expenditures			\$ <u>172,469,648</u>
Percentage of Federal Awards Programs tested			<u>81%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to General Purpose Financial Statements Year Ended September 30, 2000

		Fiscal Year 2000 <u>Expenditures</u>
Federal contributions, as reported in the 2000 financial statements:		
Federal grants assistance fund, expenditures and transfers out		\$ 142,473,895
 <u>CFDA #</u>		
10.551	Food Stamps	35,884,468
83.548	Guam Memorial Hospital Authority (GMHA): Hazard Mitigation Grants	257,914**
66.458	Guam Waterworks Authority (GWA): Capitalization Grants for State Revolving Funds	396,028*
83.548	Hazard Mitigation Grants	802,147**
 Superior Court of Guam:		
16.554	National Criminal History Improvement Program (NCHIP)	266,813*
16.555	National Sex Offender Registry Grant	84,393*
16.585	Drug Court Discretionary Grant Program	37,154*
 Less transfers out of funds transferred in from General Fund:		
Guam Census Bureau		(5,134,888)
Autonomous Agencies – Typhoon Accounts		(1,365,867)
Nonprofit Organizations – Typhoon Accounts		(328,664)
Other transfers out		<u>(903,745)</u>
Total Federal Expenditures Subject to Audit		\$ <u>172,469,648</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>
GMHA	83.548	\$ 1,101,259	\$ 843,345	\$ 257,914
GWA	83.548	\$ 1,235,350	\$ 433,203	\$ 802,147

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2000

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2000

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>
Food Stamp Cluster:	
Food Stamp Program	10.551
State Administrative Funding for the Food Stamp Program	10.561
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
Highway Planning and Construction	20.205
Public Assistance Grants	83.544
Hazard Mitigation Grants	83.548
Safe and Drug-Free Schools and Communities: State Grants	84.186
Aging Cluster:	
Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging: Title III, Part C: Nutrition Services	93.045
Temporary Assistance for Needy Families/Family Support Payments to States:	93.558/
Assistance Payments (AFDC)	93.560
Child Support Enforcement (CSE)	93.563
Child Care and Development Funds	93.575
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, 2000

Part II – Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2000-04	Procurement and Suspension and Debarment	\$3,249,240
2000-06	Allowable Costs/Cost Principles	\$ 38,380
2000-10	Procurement and Suspension and Debarment	\$1,021,514
2000-11	Allowable Costs/Cost Principles	\$ 6,330
2000-12	Allowable Costs/Cost Principles	\$ 295,507
2000-26	Period of Availability of Federal Funds	\$ 54,561
2000-31	Equipment and Real Property Management	\$ -
2000-32	Cash Management	\$ -
2000-33	Subrecipient Monitoring	\$ -
2000-34	Enterprise Fund – Cash	\$ -
2000-35	Enterprise Fund – Accounts Receivable	\$ -
2000-36	Debt Service Funds – Fund 404 (355)	\$ -
2000-37	Debt Service Funds – Fund 405 (357)	\$ -
2000-38	Debt Service Fund	\$ -
2000-39	General Fund - Cash	\$ -
2000-40	General Fund - Cash	\$ -
2000-41	General Fund - Cash	\$ -
2000-42	General Fund - Accounts Payable and Other Payables	\$ -
2000-43	Accounts Payables and Other Payables	\$ -
2000-44	Accounts Payable and Other Payables	\$ -
2000-45	General Fund - Accounts Payables and Other Payables	\$ -
2000-46	General Fund - Accounts Payable and Other Payables	\$ -
2000-47	General Fund - Other Receivables	\$ -
2000-48	General Fund - Other Receivables	\$ -
2000-49	General Fund - Other Receivables	\$ -
2000-50	General Fund - Other Receivables	\$ -
2000-51	General Fund - Other Receivables	\$ -
2000-52	Taxes Receivable	\$ -
2000-53	Taxes Receivable	\$ -
2000-54	Taxes Receivable	\$ -
2000-55	Taxes Receivable	\$ -
2000-56	Securities	\$ -
2000-57	Income Tax Rebate	\$ -
2000-58	Fund 101 – Appropriations	\$ -
2000-59	Fund 303 – Accrued Expenses	\$ -
2000-60	Fund 303 – CIP Accrued Expenses	\$ -
2000-61	Fund 303 – CIP Accrued Expenses	\$ -
2000-62	Fund 303 – CIP Accrued Expenses	\$ -
2000-63	Fund 303 – CIP Appropriations Compliance	\$ -
2000-64	Fund 303 – CIP Bank Reconciliation	\$ -
2000-65	Fund 303 – CIP Appropriations	\$ -
2000-66	Fund 507 - Workers' Compensation Fund	\$ -
2000-67	Fund 512 – Residential Treatment	\$ -

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Part II – Financial Statement Findings Section, Continued

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2000-68	Fund 702 – Internal Service Fund – Agency Surplus	\$ -
2000-69	Fund 703 – Internal Service Fund – Inventory	\$ -
2000-70	Continuing Appropriations	\$ -
2000-71	Outstanding Encumbrances	\$ -
2000-72	Trust Funds - Systems Walkthrough	\$ -
2000-73	Trust Funds - Systems Walkthrough	\$ -
2000-74	Revenue Test of Controls	\$ -
2000-75	Travel Test of Controls	\$ -
2000-76	Travel Test of Controls	\$ -
2000-77	Travel Test of Controls	\$ -
2000-78	Travel Test of Controls	\$ -
2000-79	Travel Test of Controls	\$ -
2000-80	Travel Test of Controls	\$ -
2000-81	Special Revenue Funds, Trust Funds and Enterprise Funds	\$ -
2000-82	Appropriations	\$ -
2000-83	Encumbrances	\$ -
2000-84	Journal Vouchers	\$ -
2000-85	Appropriations/Activities Allowed or Unallowed	\$ -
2000-86	Child Support Liability	\$ -
2000-87	Expenditures	\$2,915,794

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2000-01	10.551/561	Reporting	\$ -
2000-02	10.551/561	Reporting	\$ -
2000-03	15.875	Reporting	\$ -
2000-04	15.875	Procurement and Suspension and Debarment	\$3,249,240
2000-05	15.875	Allowable Costs/Cost Principles	\$ 88,287
2000-06	15.875	Allowable Costs/Cost Principles	\$ 38,380
2000-07	20.205	Special Tests and Provisions – Sampling Program	\$ -
2000-08	20.205	Reporting	\$ 18,365
2000-09	83.544	Special Tests and Provisions - 44 CFR 13.26	\$1,851,569
2000-10	83.544	Procurement and Suspension and Debarment	\$1,021,514
2000-11	83.544	Allowable Costs/Cost Principles	\$ 6,330
2000-12	83.548	Allowable Costs/Cost Principles	\$ 295,507
2000-13	83.548	Special Tests and Provisions - 44 CFR 13.26	\$ -
2000-14	84.186	Reporting	\$ -
2000-15	93.044	Reporting	\$ -
2000-16	93.558	Reporting	\$ -
2000-17	93.558	Eligibility	\$ -
2000-18	93.558	Special Tests and Provisions – Income Eligibility and Verification System (IEVS)	\$ -

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

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

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2000-19	93.563	Reporting	\$ -
2000-20	93.563	Eligibility	\$ -
2000-21	93.563	Special Tests and Provisions – Establishment of Paternity and Support Obligations	\$ -
2000-22	93.563	Special Tests and Provisions – Establishment of Paternity and Support Obligations	\$ -
2000-23	93.563	Special Tests and Provisions – 45 CFR 302.32	\$ -
2000-24	93.575	Eligibility	\$ -
2000-25	93.575	Reporting	\$ -
2000-26	93.575	Period of Availability of Federal Funds	\$ 54,561
2000-27	93.575	Eligibility	\$ -
2000-28	93.575	Subrecipient Monitoring	\$ -
2000-29	93.575	Matching, Level of Effort, Earmarking	\$ 523,116
2000-30	All	Subrecipient Monitoring	\$ -
2000-31	All	Equipment and Real Property Management	\$ -
2000-32	All	Cash Management	\$ -
2000-33	All	Subrecipient Monitoring	\$ -
2000-40	All	Cash	\$ -
2000-85	15.875	Appropriations/Activities Allowed or Unallowed	\$ -
2000-87	15.875	Expenditures	\$ 150,683
2000-87	83.544	Expenditures	\$ 75,871
2000-87	84.186	Expenditures	\$ 17,612
2000-87	93.558	Expenditures	\$ 163,827
2000-87	93.563	Expenditures	\$ 235,340
2000-87	93.575	Expenditures	\$ 227,248
2000-87	93.778	Expenditures	\$2,045,213

GOVERNMENT OF GUAM

U.S. Department of Agriculture
 Food Stamp Cluster
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-01	10.551 10.561	In accordance with OMB Circular A-133 reporting requirements, the following due dates apply:	\$ -

1. The FNS-46 report is due within 90 days after each month,
2. The FNS 250 report is due within 45 days after each month,
3. The SF 269 report is due on January 30, April 30, July 30 and October 30; the final report is due on December 30, and
4. The FCS-209 report is due within 30 days after each quarter.

Condition:

1. For 2 (or 17%) out of 12 monthly reports tested, the Issuance Reconciliation Reports (FNS-46) were submitted late, as follows:

<u>Month</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
August 2000	11/29/00	12/14/00	15
September 2000	12/29/00	02/08/01	41

2. For 2 (or 17%) out of 12 monthly reports tested, the Food Accountability Reports (FNS-250) were submitted late, as follows:

<u>Month</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
December 1999	02/14/00	03/02/00	17
May 2000	07/15/00	Unknown	Unknown

3. For all reports tested, the Financial Status Reports (SF 269) were submitted late as follows:

<u>Quarter Ended</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
December 1999	01/30/00	08/29/00	212
March 2000	04/30/00	11/27/00	211
June 2000	07/30/00	11/27/00	120
September 2000	10/30/00	11/27/00	28
Final	12/30/00	03/06/01	66

Cause:

There appears to be weak internal controls over the timely submission of federal reports.

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 the prior year audit of the Government of Guam.

GOVERNMENT OF GUAM

U.S. Department of Agriculture
Food Stamp Cluster
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
2000-01	10.551 10.561	The Food Stamp Program should strengthen internal control procedures to ensure that quarterly and annual reports are submitted in a timely manner in accordance with OMB Circular A-133 reporting requirements. Also, the grantee should correspond with the grantor agency to obtain written approval for extensions of reporting deadlines.	\$ -

Auditee Response and Corrective Action Plan:

In a letter dated November 13, 2001, the grantee provided the following responses:

Condition 1: Agree. During this period, the reconciliation of transacted ATPs was performed manually due to lack of automation.

Corrective Action: A reconciliation program was developed by inhouse Systems staff to automate the process, enabling reports to be generated timely during FY2001. For FY2002, Issuance Section will be exploring the capability for report information to be imported on MSWord for immediate e-mail transmission to FNS, with original, signed copies mailed out.

Condition 2: Agree. For December 1999 and January 2000, the legacy system was taken off-line and the contingency procedure was in its initial implementation phase. Reconciliation of transacted ATPs was performed manually, in addition to an increased workload of over-the-counter processing of benefits. The May 2000 report was prepared on June 21, 2000, but the copy of the transmittal letter to FNS was undated.

Corrective Action: A reconciliation program was developed by inhouse Systems staff to automate the process. For FY2002, Issuance Section will be exploring the capability for report information to be imported on MSWord for immediate e-mail transmission to FNS, with original, signed copies mailed out.

Condition 3: Agree. The BACIS financial system was taken off-line due to non-Y2K compliance, and manual procedures were implemented at the Department of Administration (DOA). All processing of financial transactions were manually performed, which created a massive backlog.

Corrective Action: The Department of Public Health and Social Services will continue to remind report preparers at DOA of the timelines to ensure that reports are submitted. Discussions at DOA will be initiated to determine feasible approaches to ensure timely submission of financial reports.

GOVERNMENT OF GUAM

U.S. Department of Agriculture
 Food Stamp Cluster
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-02	10.551 10.561	In accordance with OMB Circular A-133 reporting requirements, federal reports should be supported by applicable accounting records, such as the financial management system and cost allocation schedules.	\$ -

Condition:

Expenditures per the Financial Status Report (SF 269) and per the cost allocation schedules do not agree, as follows:

<u>Account Number</u>	<u>Expenditures per SF 269</u>	<u>Supported Expenditures</u>	<u>Unsupported Amount</u>
1161.xxxx.201.B.17xx.3103	\$ 3,643,956	\$ 3,061,885	\$ 582,071

Cause:

There appears to be weak internal controls over ensuring that expenditures reported in the SF 269 are supported by applicable accounting records, such as the financial management system and cost allocation schedules.

Effect:

It appears the grantee is in noncompliance with OMB Circular A-133 reporting requirements. A questioned cost does not arise from this condition because the expenditures were reported in March 2001, and drawdowns therefor were made subsequent to September 30, 2000.

Recommendation:

The grantee should strengthen internal controls to ensure that expenditures reported in the SF 269 are supported by applicable accounting records, such as the financial management system and cost allocation schedules. The authorized certifying official should not sign the SF 269 unless supporting accounting records are reviewed.

Auditee Response and Corrective Action Plan:

The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

U.S. Department of the Interior
Economic, Social and Political Development of the Territories and the Freely Associated States
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-03	15.875	In accordance with the OMB Circular A-133 reporting requirements, 43 CFR 12, and Terms and Conditions of Grant Award, quarterly reports (i.e., SF 269 and SF 272) shall be prepared quarterly and submitted within 30 days after the end of the quarter.	\$ -

Condition:

All four quarterly Federal Cash Transactions Reports (SF 272) were submitted late as follows:

<u>Quarter Ended</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
December 1999	01/30/00	Not dated	At least 23
March 2000	04/30/00	Not dated	At least 23
June 2000	07/30/00	02/08/01	192
September 2000	10/30/00	02/08/01	100

Cause:

There appears to be weak internal controls 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, the grantee is in noncompliance with OMB Circular A-133 reporting requirements, the Common Rule, and Terms and Conditions of Grant Award.

Recommendation:

The grantee should strengthen internal controls over reporting in accordance with OMB Circular A-133 reporting requirements, the Common Rule, and Terms and Conditions of Grant Award. The responsible personnel should develop a timetable of reports and their due dates, respectively, and should disseminate such timetable to the responsible report preparer.

Auditee Response and Corrective Action Plan:

The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

U.S. Department of the Interior
 Economic, Social and Political Development of the Territories and the Freely Associated States
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-04	15.875	In accordance with OMB Circular A-133 procurement requirements and 45 CFR 12, the grantee 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.	\$ 3,249,240

Condition:

Out of 18 transactions, aggregating \$5,833,547 of \$ 9,920,045 in total Program expenditures, we noted the following:

- 1) For 3 (or 17%), 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>
01/14/00	995617	I0021524	P006A00346	\$ 314,293
02/01/00		Unknown	CJE: 55482, LINE 9640	400,000
02/01/00		Unknown	CJE: 55482, LINE 9650	<u>433,946</u>
				<u>\$1,148,239</u>

- 2) For 7 (or 40%), 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>Reference #</u>	<u>Amount</u>
02/22/00	998593	S1821504	C980602230	\$ 74,780
06/02/00	8409	J0083132	C980600921	140,000
11/18/99	991806	J0083132	C980600921	248,189
12/07/99	993581	J0083132	C980600921	70,000
12/10/99	993599	J0083132	C980600921	70,000
01/07/00	995029	J0083132	C980600921	114,860
03/23/00	483	M0097169	C990602980	205,181
03/23/00	483	M0097169	C990602980	88,287
03/23/00	483	M0097169	C990602981	82,468
05/12/00	6058	M0097169	C990602981	52,912
05/26/00	7731	M0097169	C990602981	59,348
07/10/00	12866	M0097169	C990602981	57,833
09/01/00	17266	M0097169	C990602981	89,279
09/01/00	17266	M0097169	C990602981	68,527
09/01/00	17266	M0097169	C990602981	71,848
01/28/00	996579	M0097169	C990602981	478,781
02/25/00	998848	B6834001	C980603571	<u>128,708</u>
				<u>\$ 2,101,001</u>

GOVERNMENT OF GUAM

U.S. Department of the Interior
Economic, Social and Political Development of the Territories and the Freely Associated States
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Cause:</u>	<u>Questioned Costs</u>
2000-04	15.875	<p>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.</p> <p><u>Effect:</u></p> <p>The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$3,249,240 exists.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>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.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee has not responded.</p>	

GOVERNMENT OF GUAM

U.S. Department of the Interior
Economic, Social and Political Development of the Territories and the Freely Associated States
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-05	15.875	In accordance with OMB Circular A-133 and 43 CFR 12 allowable costs/cost principles requirements, costs should not be double recorded.	\$ 88,287

Condition:

For 1 (or 2%) out of 40 transactions tested, a payment to vendor number M0091769 with check number 483 in the amount of \$88,287 was paid only once, but was recorded as an expenditure twice: once under account number 0059.1999.201.H.0202.0102.0251, and then again under 0452.1999.201.H.0998.9101.0251.

Cause:

There appears to be weak internal controls over ensuring that costs are not double recorded.

Effect:

The grantee appears to be in noncompliance with OMB Circular A-133 allowable costs/cost principles. A questioned cost of \$88,287 exists.

Recommendation:

The grantee should strengthen internal control procedures to ensure that costs are not double recorded. After posting a payment request or journal voucher, the responsible personnel should mark the source document as posted. Prior to posting a source document, the responsible personnel should ensure that it has not been marked posted. Furthermore, at the end of the month, or more frequently, the responsible personnel should consider generating a report of posted check numbers and journal voucher numbers and of corresponding account numbers, sorted by amount. Any duplicated line items should be immediately investigated and resolved.

Auditee Response and Corrective Action Plan:

The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

U.S. Department of the Interior
 Economic, Social and Political Development of the Territories and the Freely Associated States
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-06	15.875	In accordance with OMB Circular A-133 allowable costs/cost principles and 43 CFR 12, all financial records, such as check disbursement files (including check copies, payment requests, vendor invoices, receiving reports, purchase orders, and other supporting documents), should be maintained on file for at least three years to substantiate expenditures.	\$ 38,380

Condition:

Out of 40 transactions tested, aggregating \$5,833,547 of \$9,920,045 in total Program expenditures, we noted the following:

- For 7 (or 18%), no check disbursement file (including check copies, payment requests, vendor invoices, receiving reports, purchase orders, and other supporting documents) was provided for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
a.	01/28/00	996579	M0097169	C990602981	\$ 478,781
b.	11/18/99	991806	J0083132	C980600921	248,189
c.	02/01/00	CJE: 55482	Unknown	LINE 9650	433,946
d.	02/01/00	CJE: 55482	Unknown	LINE 9640	400,000
e.	06/02/00	8409	J0083132	C980600921	<u>140,000</u>
	Amounts already questioned in a previous finding				<u>1,700,916</u>
f.	10/08/99	988678	P0029901	D000660002	25,000
g.	04/18/00	2717	D0341504	P996A06619	<u>13,380</u>
	Total costs questioned at this finding				<u>38,380</u>
	Total unsupported costs				\$ <u>1,739,296</u>

Cause:

There appears to be weak internal controls over ensuring that supporting documents are retained on file for at least three years to substantiate Program expenditures. Furthermore, it appears that records were not stored in an orderly manner as a result of limited office space, thereby, creating difficulties for the grantee in readily locating storage boxes.

Effect:

The grantee appears to be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and 43 CFR 12. A questioned cost of \$38,380 exists.

Recommendation:

The grantee should strengthen recordkeeping controls. Furthermore, the grantee should immediately locate the requested documents and promptly provide them to the auditors for resolution of this audit finding.

GOVERNMENT OF GUAM

U.S. Department of the Interior
Economic, Social and Political Development of the Territories and the Freely Associated States
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan:</u>	<u>Questioned Costs</u>
2000-06	15.875	The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.	

GOVERNMENT OF GUAM

U.S. Department of Transportation
 Highway Planning and Construction
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-07	20.205	In accordance with OMB Circular A-133 sampling program requirements, the grantee must have a sampling and testing program for projects to ensure that materials and workmanship generally conform to approved plans and specifications. Also, the grantee should make price adjustments based on the engineering analysis for failed materials.	\$ -

Condition:

Out of 5 projects tested, we noted the following:

- For 2 projects (or 40%), the sample report indicating whether materials used for fiscal year 2000 were in accordance with government standards could not be located for the following:

<u>Vendor #</u>	<u>Project</u>	<u>Project#</u>
B03440B1	Route 4 Permanent Restoration	GU-ER-092-1(004)
H0303201	Route 1 Rehabilitation (Route 10A to Route 30)	GU-NH-0001(013)

- For 1 project (or 20%) [i.e., Route 16, Reconstruction of Route 16, Phase 1A, GU-NH-0016 (104)], a total of 7 (or 3%) out of 231 field density tests indicated failures. No retesting was done to ensure that the failed materials conform to the program. Furthermore, there is no documentation on file to indicate that price adjustments were performed by the state highway agency based on the engineering analysis for failed materials.
- For 1 project (or 20%) [i.e., Route 27, Reconstruction and Widening (Design/Build), GU-NH-0027(101)], a total of 1 (or 2%) out of 49 field density tests indicated failures. No retesting was done to ensure that the failed materials conform to the program. Furthermore, there is no documentation on file to indicate that price adjustments were performed by the state highway agency based on the engineering analysis for failed materials.

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that sample reports are maintained on file and that price adjustments are made for nonconforming materials.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the Program is in noncompliance with sampling program requirements.

Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that sampling program requirements are performed and maintained on file.

GOVERNMENT OF GUAM

U.S. Department of Transportation
Highway Planning and Construction
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan:</u>	<u>Questioned Costs</u>
2000-07	20.205	The grantee has not responded.	

GOVERNMENT OF GUAM

U.S. Department of Transportation
 Highway Planning and Construction
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-08	20.205	In accordance with OMB Circular A-133 reporting requirements, costs claimed on Form PR-20 (Voucher for Work Under Provisions of the Federal Aid and Federal Highway Acts, as Amended) should be substantiated and must not have been previously submitted.	\$ 18,365

Condition:

Out of all 19 vouchers prepared by the grantee, amounting to a total Net Amount Claimed of about \$20,266,565, we noted the authorized official certified "...that the cost shown in this voucher have bee [sic] incurred in accordance with terms of project agreements; applicable State and Federal laws or regulations; and that no claim has previously been submitted for costs claimed." However, we noted the following:

- For 1 (or 5%), a total of \$8,650 (or .04%), could not be substantiated as having been incurred. The costs claimed were calculated using amounts per labor cost distribution reports, multiplied by a factor of 4. However, Program personnel could not explain why such factor was included in the formula. Therefore, portions of costs claimed are unsubstantiated, as follows:

<u>Account Number</u>	<u>Voucher Number</u>	<u>Amount</u>	<u>Total</u>
5101F971098IB121	031700-08	\$ 3,945	
5101F951098ZH101	031700-08	<u>9,453</u>	
Total claimed			\$ 13,398
5101F971098IB121	031700-08	\$ (986)	
5101F951098ZH101	031700-08	<u>(3,761)</u>	
Total per labor cost reports			<u>(4,747)</u>
Total unsubstantiated			\$ <u>8,651</u>

- For 1 (or 5%), a total of \$9,714 (or .05%) had been previously claimed, as follows:

<u>Account Number</u>	<u>Voucher Number of Initial Reporting</u>	<u>Voucher Number of Duplicate Reporting</u>	<u>Amount</u>
5101F971098IB122	111799-01	113099-02	\$ 4,609
5101F961098IB106	111799-01	113099-02	<u>5,105</u>
Total previously claimed			\$ <u>9,714</u>

Cause:

There appears to be weak internal controls over the review of PR-20 forms.

GOVERNMENT OF GUAM

U.S. Department of Transportation
Highway Planning and Construction
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Effect:</u>	<u>Questioned Costs</u>
2000-08	20.205	A questioned cost of \$18,365 exists. <u>Recommendation:</u> The grantee should strengthen internal controls to ensure that a cost claimed on the PR-20 form is properly substantiated in accordance with terms of project agreements and had not been previously submitted. The authorized official should review all supporting formulas to ensure that valid factors are used in formulas. Furthermore, the authorized official should consider assigning a unique and invoice-date-related number to each cost itemized on the PR-20 form. Prior to certifying each PR-20 form, the authorized official should examine all previously submitted PR-20 forms for the fiscal year and ensure that assigned item numbers are not duplicated. <u>Auditee Response and Corrective Action Plan:</u> The grantee has not responded.	

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-09	83.544	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.	\$ 1,851,569

Condition:

The grantee 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 2000, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
21900000	1998	\$ 1,851,569
G0767401	9967	\$ 571,110

Cause:

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

Effect:

The grantee is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that vendor number G0767401 was subjected to a Single Audit, the reports of which are pending issuance. Therefore, a questioned cost of \$1,851,569 exists, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
21900000	1998	\$ <u>1,851,569</u>

Prior Year Status:

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

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
2000-09	83.544	<p>The grantee should monitor subgrantees and obtain audits from those subgrantees that expend more than \$300,000 in federal funds.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated October 22, 2001, the grantee provided the following response:</p> <p>[We] have notified the Director of the Department of Education of your recent audit findings and recommendations. In the future the Grantee will monitor and obtain single audit reports from all sub-grantees that expend more than \$300,000 in federal funds in order to be in compliance with 44 CFR 13.26.</p>	

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-10	83.544	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.	\$ 1,021,514

Condition:

For 9 (or 26%) out of 35 transactions, aggregating about \$3,036,478 of \$6,454,775 in total Program expenditures, the significant history of the procurement was not provided for each of the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
a.	07/24/00	13944	M0941411	D001200482	\$ 495,870
b.	03/01/00	CJE: 55482	Unknown	LINE 6680	253,570
c.	10/01/99	CJE: 55482	Unknown	LINE 5250	197,722
d.	09/01/00	17255	F6973001	D002700015	82,734
e.	06/19/00	10002	I0096162	C000600730	46,945
f.	09/01/00	J000661299	R8286701	D981060193	41,475
g.	09/01/00	J000661299	T0091822	D981060156	8,160
h.	09/01/00	J000661299	T0091822	D981060172	7,480
i.	09/01/00	J000661299	R8286701	D981060165	1,060
					<u>\$1,135,016</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 grantee is in noncompliance with procurement requirements. A questioned cost of \$1,021,514 exists, as follows:

Total costs questioned	\$ 1,135,016
X Federal share	<u>90%</u>
Total questioned cost	\$ <u>1,021,514</u>

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Prior Year Status:</u>	<u>Questioned Costs</u>
2000-10	83.544	<p>The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure compliance with OMB Circular A-133 procurement requirements and 44 CFR 13.</p> <p>Also, the grantee should provide the requested procurement documents to the auditors to effect resolution of this finding.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee has not responded.</p>	

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-11	83.544	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13, all such financial records, such as check copies, payment requests, invoices, receiving reports, and purchase orders, should be maintained on file for at least three years to substantiate expenditures.	\$ 6,330

Condition:

For 19 (or 54%) out of 33 transactions, aggregating about \$3,036,478 of \$6,454,775 in total Program expenditures, no check disbursement file (including check copies, payment requests, invoices, receiving reports, purchase orders, and other supporting documents) were provided for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>DSR #</u>	<u>Amount</u>
Unknown	310	21900000	D000293469	DSR07708	\$ 76,008
Unknown	310	21900000	D000293469	DSR68070	188,526
Unknown	310	21900000	D000293467	DSR47798	106,082
Unknown	310	21900000	D000293467	DSR54075	70,977
Unknown	310	21900000	D000293461	DSR58072	53,195
Unknown	310	21900000	D000293461	DSR47968	76,536
Unknown	310	21900000	D000293464	DSR47982	65,484
Unknown	310	21900000	D000293464	DSR58073	57,697
Unknown	315	21900000	D000293490	DSR68070	47,210
Unknown	315	21900000	D000293490	DSR07708	19,034
Unknown	315	21900000	D000293487	DSR54075	17,774
Unknown	315	21900000	D000293487	DSR47798	26,565
Unknown	315	21900000	D000293488	DSR58072	13,321
Unknown	315	21900000	D000293488	DSR47968	19,166
Unknown	315	21900000	D000293491	DSR58073	14,448
Unknown	315	21900000	D000293491	DSR47982	16,398
03/01/00	CJE: 55482	Unknown	LINE 6680	Unknown	253,570
10/01/99	CJE: 55482	Unknown	LINE 5250	Unknown	197,722
10/12/00	21400	P0029901	D000661651E	Unknown	<u>7,033</u>
					\$ 1,326,746
					<u>1,319,713</u>
					7,033
					<u>90%</u>
					\$ <u>6,330</u>

Less amount already questioned in previous findings

X Federal share

Total questioned cost

Cause:

There appears to be weak internal controls over ensuring compliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13 records retention requirements. Furthermore, it appears that records were not stored in an orderly manner as a result of limited office space, thereby, creating difficulties for the grantee in readily locating storage boxes.

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Public Assistance Grants
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Effect:</u>	<u>Questioned Costs</u>
2000-11	83.544	<p>The grantee appears to be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13. A questioned cost of \$6,330 exists.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen internal controls to ensure compliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13.</p> <p>Also, the grantee should provide the requested check disbursement files to the auditors to effect resolution of this finding.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.</p>	

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Hazard Mitigation Grant
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-12	83.548	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.	\$ 295,507

Condition:

For 3 (or 11%) out of 28 transactions, aggregating about \$2,563,593 out of \$3,020,660 in total Program expenditures, no check disbursement file (including check copies, payment requests, vendor invoices, receiving reports, and other supporting documents) were provided for the following:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
10/12/00	21400	P0029901	D000661651A	\$ 184,859
10/12/00	21400	P0029901	D000661651B	93,636
01/18/00	996070	P0029901	D009978HM001	<u>17,012</u>
Total unsupported costs				\$ <u>295,507</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 grantee in readily locating storage boxes.

Effect:

The grantee appears to be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13. A questioned cost of \$295,507 exists.

Recommendation:

The grantee should strengthen recordkeeping controls to ensure compliance with OMB Circular A-133 allowable costs/cost principles requirements and 44 CFR 13.42.

Also, the grantee should provide the requested check disbursement files to the auditors to effect resolution of this finding.

Auditee Response and Corrective Action Plan:

The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

Federal Emergency Management Agency
Hazard Mitigation Grant
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-13	83.548	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 grantee did not obtain Single Audit reports from the following subgrantee, to which it provided more than \$300,000 in Federal fund reimbursements in fiscal year 2000, as follows:

<u>Vendor Number</u>	<u>Department/Division</u>	<u>Amount</u>
G0767401	9967	\$ 547,170

Cause:

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

Effect:

The grantee is in noncompliance with 44 CFR 13.26 audit requirements. However, we are aware that vendor number G0767401 was subjected to a Single Audit, the reports of which are pending issuance. Therefore, no questioned cost exists.

Recommendation:

The grantee 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 October 22, 2001, the grantee provided the following response:

In the future the Grantee will monitor and obtain single audit reports from all subgrantees that expend more than \$300,000 in federal funds in order to be in compliance with 44 CFR 13.26.

GOVERNMENT OF GUAM

U.S. Department of Education
Safe and Drug-Free Schools and Communities: States Grant
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-14	84.186	<p>In accordance with OMB Circular A-133 and 34 CFR 74 reporting requirements, the grantee shall submit SF-269, Financial Status Report, no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Secretary upon request of the recipient.</p> <p><u>Condition:</u></p> <p>The grantee has not provided copies of SF-269 reports covering Grant Year 1998 funds, of which \$335,184 was expended in Fiscal Year 2000.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of recordkeeping controls.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee appears to be in noncompliance with OMB Circular A-133 and 34 CFR 74 reporting requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen recordkeeping controls. Also, the grantee should locate and provide the requested reports to the auditors to effect resolution of this finding.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee has not responded.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Aging Cluster
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-15	93.044 93.045	<p>In accordance with OMB Circular A-133 and 45 CFR 74 reporting requirements, the annual submission of SF 269, Financial Status Report, is due within 90 calendar days after the reporting period, which is December 29).</p> <p><u>Condition:</u></p> <p>The annual SF 269 report was submitted on February 13, 2001, about 46 days after the due date.</p> <p><u>Cause:</u></p> <p>Based on discussions with the Department of Administration, Division of Accounts, delays in the preparation of Federal financial reports resulted from difficulties arising from the implementation of the new financial management system (FMS).</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition; however, there is a potential for Federal reimbursements to be delayed or withheld.</p> <p><u>Recommendation:</u></p> <p>Whenever FMS difficulties are anticipated to delay the preparation of Federal financial reports, the Department of Administration should obtain written approval from Federal grantor agencies regarding the extension of report submission deadlines.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
 Temporary Assistance for Needy Families (TANF)
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-16	93.558	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. Financial Cash Transaction Reports (SF 272s) 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	01/31/00	08/18/00	200
2	03/31/00	04/30/00	117
3	07/31/00	08/25/00	25
4	09/30/00	07/19/01	261

2. For all four SF 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	02/14/00	02/28/00	14
2	05/15/00	08/15/00	92
3	08/14/00	08/15/00	1
4	11/14/00	01/17/01	64

Cause:

There appears to be weak internal controls 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 the prior year audit of the Government of Guam.

Recommendation:

The grantee 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

U.S. Department of Health and Human Services
Temporary Assistance for Needy Families (TANF)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan:</u>	<u>Questioned Costs</u>
2000-16	93.558	The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Temporary Assistance for Needy Families (TANF)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Condition:</u>	<u>Questioned Costs</u>
2000-17	93.558	In accordance with 45 CFR 205, all programmatic documents, such as eligibility case files, should be maintained on file for at least three years.	\$ -

Condition:

For 2 (or 4%) out of 45 case files selected for testing (i.e., # 30-48843 and 30-51074), the case file was not provided.

Cause:

There appears to be weak recordkeeping controls.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 205.

Prior Year Status:

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

Recommendation:

The grantee should strengthen recordkeeping controls to ensure compliance with 45 CFR 205 records retention requirements.

Auditee Response and Corrective Action Plan:

In a letter dated November 26, 2001, the grantee provided the following response:

Agree. Since the Program Coordinator IV retired in 1998, the Benefit Issuance Section, the section that oversees the Records Room, had been without a Supervisor. With Early Out and Voluntary Separation of 1999, the Bureau was unable to hire adequate number of staff to run the Records Room.

Corrective Action: A Program Coordinator IV was hired in June 2001 to oversee Benefit Issuance Section, including the Records Room. Among the list of priority projects the PC IV is tasked to do is the evaluation and updating of the existing Records Room policies and procedures. In coordination with the Program Management Section Staff, the PC IV is expected to complete the project by February, 2002.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Temporary Assistance for Needy Families (TANF)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-18	93.558	<p>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):</p> <ol style="list-style-type: none">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).	\$ -
		<p><u>Condition:</u></p> <p>During the eligibility determination process in fiscal year 2000, although eligibility workers looked at check stubs to verify income reported on applications, the grantee did not coordinate the required data exchanges with other federally assisted benefit programs.</p>	
		<p><u>Cause:</u></p> <p>It appears to be the grantee's understanding that the data exchange with other federally assisted benefit programs is an option.</p>	
		<p><u>Effect:</u></p> <p>There is no known effect on the financial statement as a result of this condition. However, there is a potential for the grantee to be providing benefits to participants who would have otherwise been determined ineligible had the required data exchanges been coordinated.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
2000-18	93.558	<p>The grantee should obtain written confirmation from the grantor agency as to whether participation in the Income Eligibility and Verification System is an option.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 26, 2001, the grantee provided the following response:</p> <p>Agree. In most of FY 2000, the Bureau of Economic Security experienced a serious lack of key personnel. The Bureau Administrator left a year before and the one remaining Social Services Supervisor II (SSS II) who was overseeing the Bureau retired in December 1999. Neither Program Management nor Benefit Issuance Sections had a supervisor. Program Compliance and Coordination Unit (PCCU), the unit in charge of implementing the IEVS activities only had two (2) staff, a Management Analyst III and a Program Coordinator II.</p> <p>Because there was a greater need for supervisors to provide direction to staff, the remaining key personnel were re-assigned to areas where they are most needed. All PCCU activities were put on hold and the PC II was assigned to the Northern District to oversee the Northern Certification. The MA III was tasked to oversee Program Management Section and an SSS II was pulled from Work Program Section to act as the Bureau Administrator and, at the same time, oversee the Central and Southern Districts' Certification Sections.</p> <p>In addition, the legacy system went off line in December 1999, eliminating all computer matching activities.</p> <p>Although IEVS became optional for the Food Stamp Program in January 2001, it is still a required activity for TANF. The Department's in house Systems staff have been assigned the IEVS project. They are in the process of coordinating with Social Security Administration staff in Baltimore as well as in region IX, to ensure that direct links with the Bureau Economic Security are established. As soon as the necessary programs are in place, BES will resume implementation of IEVS. A Program Coordinator II at Program Management Section of BES will be assigned to coordinate IEVS activities.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
 Child Support Enforcement (CSE)
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-19	93.563	In accordance with OMB Circular A-133 and Governmental Payment Management reporting requirements, the following due dates apply:	\$ -

1. OCSE 34A and OCSE 396 reports are due on January 30, April 30, July 30 and October 30.
2. Quarterly Financial Cash Transaction Reports (SF 272) are due on February 14, May 15, August 14, and November 14.

Condition:

1. For 2 (or 50%) of the four OCSE 34A reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
2	04/30/00	05/22/00	22
4	10/30/00	11/06/00	7

2. For 3 (or 75%) of the four OCSE 394 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	01/30/00	04/20/00	81
2	04/30/00	05/22/00	22
4	10/30/00	11/06/00	7

3. For 3 (or 75%) of the four SF 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	02/14/00	02/28/00	14
2	05/15/00	08/15/00	92
4	11/14/00	01/17/01	64

Cause:

There appears to be weak internal controls 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 the prior year audit of the Government of Guam.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
2000-19	93.563	The grantee 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.	

Auditee Response and Corrective Action Plan:

In a letter dated November 19, 2001, the grantee provided the following response:

Condition 1: Agreement with D&T findings in accordance with OMB Circular A-133 and Governmental Payment Management reporting requirements. During FY2000, many changes in the Government as well as the Family Division affected the preparation of these reports. P.L. 25-72 enacted by the 25th Guam Legislature resulted in the loss of experienced personnel, several of them involved in the preparation of these reports. In addition, the [new financial management system] at Department of Administration was implemented during this time because of Y2K problem and continued to experience these difficulties. The Department of Administration initially prepared the data that was used to complete these reports and were unable to meet the time frame because most of the data was unavailable in their new system. Therefore, our office took over the responsibility of completing the report, which had to be prepared manually and required many man-hours.

With the changes in the Family Division, then IV-D Director was not familiar with the reports, resulting in a request for an extension for the first quarter due on January 30, 2000. The preceding quarter [that IV-D Director] resigned from the department and once again responsibility changed hands. On the second quarter for the fiscal year, the initial submission was on May 2, 2000 the revised report was submitted on May 22, 2000 for corrections. The fax confirmation for this is also attached for your review. The initial submission for the third quarter reporting was on October 31, 2001, also revised on November 6, 2001. With the assistance from Region IX Mr. JP Soden, Federal Program Specialist and Steve Kawamura, Federal Financial Specialist we were able to complete the reports satisfactorily but not without several revisions.

Corrective Action: The Guam Child Support Enforcement Office is working diligently on meeting the time frames on the submissions of these reports in accordance with OMB Circular A-133 and Governmental Payment Management reporting requirements in compliance with the following dates: OCSE 34A and OCSE 396 reports due on January 30, April 30, July 30, and October 30. Administrative Services Officer assisted by Administrative Assistant are tasked with the responsibility in retrieving the data necessary to complete these reports and to insure that we begin to comply with federal timelines.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-20	93.563	<p>In accordance with 45 CFR 74.53, all programmatic documents, such as birth certificates and social security numbers, should be maintained on file for at least three years.</p> <p><u>Condition:</u></p> <p>For 13 (or 29%) out of 45 case files tested, (i.e., # 12365, 12366, 12376, 12702, 12798, 12829, 12833, 12835, 12888, 12892, 13002, 13020, and 13025), no social security number/card is on file for the child.</p> <p><u>Cause:</u></p> <p>There appears to be weak recordkeeping controls.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 74.53.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen recordkeeping controls to ensure compliance with 45 CFR 74.53 records retention requirements.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 19, 2001, the grantee provided the following response:</p> <p>Case No. 12829: Agreement with D&T findings in accordance with 45 CFR 74.53. No Social Security Number was provided for minor child, although birth certificate was included in file.</p> <p>Case No. 12833: Agreement with D&T findings in accordance with 45 CFR 74.53. Social Security Number not provided for child, although birth certificate was included in file.</p> <p>Case No. 13002: Agreement with D&T findings in accordance with 45 CFR 74.53. Social Security Number not provided for child, although birth certificate was included in file.</p> <p>Case No. 13025: Agreement with D&T findings in accordance with 45 CFR 74.53. Social Security Number not provided for child, although birth certificate was included in file.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, (Continued):</u>	<u>Questioned Costs</u>
2000-20	93.563	<p>Case No. 13020: Agreement with D&T findings in accordance with 45 CFR 74.53. Social Security Number was provided for one of two children listed. Birth certificates were provided for both children.</p> <p>Response Summary: The 13 files that were reviewed by the auditors indicated that several social security numbers were not included which resulted in noncompliance with 45 CFR 74.53.</p> <p>After the review of the files in question by the grantee, it was noted that the files were TANF cases opened upon the receipt of referrals from the Department of Public Health and Social Services (DPHSS). It was also discovered that of the 13 files, only 5 did not have social security numbers provided by the DPHSS Welfare Division.</p> <p>Corrective Action Plan: The Guam Child Support Enforcement Office (CSEO) will work and communicate with the Department of Public Health and Social Services to ensure that all pertinent information, to include social security numbers, and birth certificates are obtained and provided in the referral package prior to and upon submitting of TANF referrals to this office. The Records Management Unit of the CSEO will review the package for completeness prior to acceptance and entry of information in to the APASI system. If a package is found to incomplete, a file will not be opened or activated in the CSEO APASI system. The records management unit will send a written request for the pertinent information to the DPHSS Welfare Division. [The] Lead Investigator is tasked to oversee that this policy and procedure is enforced.</p> <p>In a letter dated November 23, 2001, the grantee further provided the following response:</p> <p>Our office had initially disagreed with the following findings, however after further review with your auditor and Child Support Lead Investigator, our office is now in agreement with the initial findings.</p> <p>Case numbers 12836, 12835, 12888, 12892, 12702, 12798, 12365, 12304: Agreement with D&T findings in accordance with 45 CFR 74.53. No copy of Social Security card provided in file.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-21	93.563	<p>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.</p> <p><u>Condition:</u></p> <p>For 13 (or 29%) out of 45 case files tested (i.e., # 12293, 12295, 12304, 12376, 12382, 12702, 12820, 12850, 12892, 13000, 13020, 13060, and 13250), there is no documentation on file to indicate whether an attempt was made to locate the absent parent within the required 75 calendar days.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that an attempt is made to locate absent parents within the required time frame and that such attempt is documented on file. Furthermore, based on discussions with the grantee, compliance with the required time frame is difficult due to limited staff and increasing case loads.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3.</p> <p><u>Recommendation:</u></p> <p>The grantee 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 grantee should communicate staffing needs to the Grantor agency.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 19, 2001, the grantee provided the following response:</p> <p>Case No. 12293: Agreement is made with D&T findings in accordance with 45 CFR 303.3. There was no information in case file to indicate whether an attempt was made within 75 days to locate the absent parent.</p> <p>Case No. 13020: Agreement is made with D&T findings in accordance with 45 CFR 303.3. The time frames as follows did not meet the required 75 calendar days to locate the absent parent. IV-A referral was received 6/23/00. On 10/04/00 summons/complaint, notice of hearing was prepped. 12/00 documents served on absent parent.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, (Continued):</u>	<u>Questioned Costs</u>
2000-21	93.563	<p>Case No. 12702: Agreement is made with D&T findings in accordance with 45 CFR 303.3. No locate attempted within 75 calendar days.</p> <p>Case No. 12850: Agreement is made with D&T findings in accordance with 45 CFR 303.3. Received interstate/responding case on 4/24/00. File was reviewed by attorney on 05/08/00. Locate efforts started 10/18/00.</p> <p>Case No. 13060: Agreement is made with D&T findings. On 05/04/01 status update was provided and no information was found.</p> <p>Response Summary: The CSEO acknowledges that the files that were reviewed by the auditors were accurate in its findings of non-compliance of 45 CFR 303.3. However, the CSEO found that only 1 of the files reviewed did not warrant noncompliance of the 75 calendar days locate requirement. Internal locate procedures exists, because the CSEO is currently experiencing a shortage of personnel due to the recent retirement and separation of employment and we were unable to replace them due to current state laws which prohibit the hiring of personnel within the Government of Guam. With this prohibition, it created a backlog of cases to be reviewed and hampers the efforts of complying with the timeframes.</p> <p>Corrective Action Plan: The CSEO will strengthen its internal control policies and procedures to ensure that the assigned investigator attempts to locate absent parents within 75 calendar days. The CSEO has designate a locate unit to review current files requiring locate in order to comply with the required time frames. We will ensure that all locate efforts are properly documented both in the case files and the APASI system while continuing to seek assistance in funding personnel positions to alleviate the amount of cases requiring locate. However, with the current financial situation within the Government of Guam, this process could take approximately five (5) years to correct if we are to continue with the current staffing pattern. In the meantime we will exhaust all efforts to bring the program in compliance with mandates of 45 CFR 303.3. [The] Lead Investigator is responsible for the implementation and assurance that these policies and procedures be enforced.</p> <p>In a letter dated November 23, 2001, the grantee further provided the following response:</p> <p>Our office had initially disagreed with the following findings, however after further review with your auditor and Child Support Lead Investigator, our office is now in agreement with the initial findings.</p> <p>Case numbers 12295, 12376, 12820, 12892, 12382, 13000, 13250: Agreement with D&T findings, 45 CFR 303.3. Locate attempts were not within the 75 calendar day time frame.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-22	93.563	In accordance with 45 CFR 302.33, the grantee 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 22 (or 49%) out of 45 case files tested, (i.e., # 11729, 12365, 12366, 12371, 12373, 12400, 12668, 12672, 12707, 12765, 12785, 12787, 12790, 12798, 12808, 12829, 12833, 12838, 12888, 12930, 13002, and 13022), there is no documentation on file to indicate whether any action was taken to establish paternity and/or enforce support obligations after the application was filed.

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 grantee, compliance with the required provision of services is difficult due to limited staff and increasing case loads.

Effect:

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

Recommendation:

The grantee should establish and implement internal controls to ensure that operating procedures under 45 CFR 302.33 are followed. The responsible personnel should attempt to establish paternity and/or enforce support obligations upon receiving an application for services. Furthermore, the grantee should communicate staffing needs to the Grantor agency.

Auditee Response and Corrective Action Plan:

In a letter dated November 19, 2001, the grantee provided the following response:

[With exception for case numbers 12787 and 12838,] agreement with D&T findings in accordance with 45 CFR 302.33. No establishment and/or enforcement action taken.

The CSEO acknowledges that the files that were reviewed by the auditors were accurate in its findings of non-compliance of 45 CFR 302.33. Internal control policies and procedures exists but were not followed as outlined in the federal timeframes to establish paternity and/or support orders. Once again as the CSEO continues to experience a shortage of personnel therefore creating a backlog of cases to be reviewed and hampers the efforts of complying with the timeframes.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, Continued:</u>	<u>Questioned Costs</u>
2000-22	93.563	<p>Corrective Action Plan: The CSEO has identified the problem and created an establishment unit since May 2001 to increase establishment of both paternity and/or support orders. The unit, originally consisted of three (3) investigators, was recently expanded to five (5) investigators because it was realized that the ratio of cases to investigators was disproportionate. The additional investigators were the result of current staff reassigned to the establishment unit to decrease the number of new pending cases. This effort was accomplished in order to meet the required timeframes as mandated by 45 CFR 302.33.</p> <p>The IV-D Director will continue to seek assistance in funding personnel positions to alleviate the current amount of 5908 new cases. Realistically, with the current financial situation within the Government of Guam, this process could take approximately five (10) years to correct if we are to continue with the current staffing pattern. However, we will strive to bring the program in compliance with mandates of 45 CFR 302.33. [The] Lead Investigator oversees this area as well and is tasked with the responsibility that office policy and procedures are followed to the best of their abilities.</p> <p>In a letter dated November 23, 2001, the grantee further provided the following response:</p> <p>Our office had initially disagreed with the following findings, however after further review with your auditor and Child Support Lead Investigator, our office is now in agreement with the initial findings.</p> <p>Case No. 12787: Agreement with D&T findings. Appropriate time frames were not met for case processing.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
 Child Support Enforcement (CSE)
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-23	93.563	In accordance with 45 CFR 302.32, amounts collected by the grantee 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 State Law requires a post-offset appeal process.	\$ -

Condition:

For 9 (or 90%) out of ten income tax refund offset collections during fiscal year 2000, the balance is pending release or disbursement to either the custodial parent or taxpayer, as follows:

<u>Case No.</u>	<u>Tax Offset amount</u>
1. CS0266-98	\$ 2,002
2. CS1100-94	1,897
3. CS0246-91	2,210
4. CS0282-90	1,557
5. CS-0767-90	1,894
6. CS0287-92	1,604
7. DM0777-94	1,714
8. CS0014-95, CS0515-98	1,830
9. CS1233-90, CS0961-94	<u>2,962</u>
Total	\$ <u>17,670</u>

Moreover, as of September 30, 2001, the total Child Support Liability (i.e., undistributed collections) recorded in the financial statements of the Government of Guam is about \$4,698,309, which is comprised of collections from fiscal years ranging from 1992 to 2000.

Cause:

There appears to be weak internal controls over ensuring that collections are sent to the family within the required time frames.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with Federal regulations.

Recommendation:

The grantee should strengthen internal controls to ensure that income tax refund offsets are sent to the custodial parent within the required time frame. The grantee should consider outsourcing the function of collecting and distributing income tax refund offsets.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan:</u>	<u>Questioned Costs</u>
2000-23	93.563	<p>We agree with the auditor’s findings to outsource the collection and distribution services for the child support office.</p> <p>Corrective Action Plan: The management team that had taken over in fiscal year 2000, headed by IV-D Director, Ms. Melinda Taitano, has identified this area as one of the major problems faced by our office. Since September of 2000 she began communicating with our federal counterparts from Region IX in regards to the undistributed collections (UDC) and the possible implementation of a “State Disbursement Unit”(SDU) for the Guam Child Support Enforcement Office (CSEO). The Federal Government agreed that this problem is one of the contributing factors for CSEO offices not only throughout the United States but its associated Territories. Thus the revision of the 45 CFR on October 1, 2001 includes the SDU. In October 2001, the Guam Child Support Enforcement Office received federal approval to sole-source Chase Global Services as Guam’s Child Support’s State Disbursement Unit. The vendor was appropriately chosen because of its knowledge with the unique complex workings of Child Support as it relates to local and federal laws and their expertise and familiarity with the current Child Support automated system, APASI. This will ensure a smoother transition of duties without disruption to current operations and deliverables.</p> <p>However, to ensure compliance with CFR requirements, we strongly support that the duty of the distribution of tax offset collections remain the responsibility of the CSEO accounting unit because of the knowledge and access to resources such as investigators and attorneys who have immediate access to the cases.</p> <p><u>State Disbursement Unit – The SDU will cover all tasks associated with:</u></p> <ol style="list-style-type: none">1. Receiving payments2. Posting collections3. Releasing the collections to be distributed within twenty-four hours of receipt4. Disbursing of funds within forty-eight hours of receipt5. Monthly billings of Non Custodial Parent’s6. Monthly billing of employer’s7. Collection/Billing Call Center to answer custodial and non-custodial parent questions.	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Support Enforcement (CSE)
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, Continued:</u>	<u>Questioned Costs</u>
2000-23	93.563	<u>Deliverables for SDU</u> <ol style="list-style-type: none">1. Collections posted within 24 hours of receipt.2. Collections distributed and disbursed within 24 hours posting.3. Checks will be delivered to the Family Division or DOA for signature stamp and then mailed to CP by DOA.4. NCP bills will be generated each month and mailed the first week of each month.5. Employer turnaround documents will be generated each month and mailed to the employers the first week of each month.6. Operational Reports given to Family Division on daily basis.7. Quarterly Reports provided to the Family Division within one week of start of new quarter.8. Annual Reports provided to the Family Division within one week of the start of a new fiscal year.9. A customer call center will handle all basic financial questions regarding a case from either the NCP or CP. The questions will be limited to balance information and payment and disbursement information. Case specific questions will be forwarded to the investigator assigned to the case.	

The implementation of the SDU unit will help the productivity of not only the accounting staff, but also the CSEO office as a whole. The unit relieves the key positions of the CSEO so the bulk of their efforts can be concentrated on casework. A special team consisting of two (2) CSEO accounting personnel, one (1) "locate" investigator and one (1) lawyer will be established to address the Undistributed collections or UDC for the office. The UDC encompasses not only the issue of undistributed taxes but also all child support matters, which lead to the return or no disbursement of child support collections in general. The responsible personnel for collections as a result of Federal income tax refund offset is [the] Accounting Supervisor under the supervision of the IV-D Director.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-24	93.575	In accordance with OMB Circular A-133 eligibility requirements and the Common Rule, programmatic records, such as case files (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 14 cases (or 31%) (i.e., # 30-38980, 30-45747, 30-23872, 30-41938, 30-39687, 70-00123, 30-35148, 30-39687, 70-00373, 70-00707, 30-42527, 30-45689, 30-70162, and 30-48409), 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 37 cases (or 82%) (i.e., # 70-01520, 30-38980, 70-00357, 70-00071, 70-00054, 30-23872, 70-00978, 70-00053, 70-00720, 30-41938, 70-01272, 30-39687, 70-00113, 70-00123, 70-00681, 70-00713, 70-00920, 70-00291, 70-00015, 70-00289, 70-00808, 70-00724, 70-00290, 30-35148,, 70-00373, 70-00707, 30-42527, 30-45689, 30-45790, 30-70162, 70-01641, 30-48409, 70-00868, 70-01086, 70-01221, 70-00925, and 586-68-2932), there is no monthly child care certificate in the file for the entire or partial certification period.
3. For 2 cases (or 4%) (i.e., 576-13-6356 and 586-29-2135), the file was not provided to the auditors for review.
4. For 36 (or 80%) (i.e., # 70-01520, 30-38980, 70-00357, 70-00071, 70-00054, 30-23872, 70-00978, 586-68-2932, 70-00053, 70-00720, 30-41938, 70-01272, 30-39687, 70-00113, 70-00123, 70-00681, 70-00713, 70-00920, 70-00291, 70-00015, 70-00289, 70-00808, 70-00724, 70-00290, 30-35148, 70-00373, 70-00707, 30-42527, 30-45689, 30-45790, 30-70162, 30-48409, 70-00868, 70-01086, 70-01221, and 70-00925), the breakdown of child care hours is incomplete or is not maintained in the file.

Cause:

There appears to be weak internal controls over recordkeeping.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee 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.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Child Care and Development Fund Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
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2000-24	93.575	The grantee 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.	
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Auditee Response and Corrective Action Plan:

In a letter dated November 19, 2001, the grantee provided the following response:

Condition 1: Disagree. For all 30 case files (30-38980, 30-45747, 30-23872, 30-41938, 30-39687, 30-35148, 30-39687, 30-42527, 30-45689, 30-70162, and 30-48409), the mayor's certification, birth certificate, photo identification, check stubs, and/or social security card for the head of household and/or dependents should be in the case folders located at the Bureau of Economic Security.

Disagree. Case files 70-00373 and 70-00707, have mayor's certification, birth certificate, photo identification, check stubs, and/or social security card for the head of household and/or dependents filed in case files.

Agree. Case file 70-00123, has mayor's certification, birth certificate, full time class schedule, and social security card for the head of household and/or dependents filed in case file. Check stub is not required since case is a full time student. The only requirement missing is Photo ID.

Condition 2: Disagree. Three (3) of the 37 cases (70-01272, 70-00681, and 70-01086), have the monthly child care certification on file. See attachments.

Auditors' Response:

Condition 1: For contested case numbers 30-38980, 30-41938, 30-35148, and 30-70162, the auditors' subsequently reviewed the case files, noting the photo ID is still lacking for the four files. For all other "30-" case numbers in this Condition, the auditors were not provided with the required documents either at the time of fieldwork, or as of report issuance. Therefore, the finding remains.

For contested case numbers 70-00373 and 70-00707, the auditors subsequently reviewed the case files, noting the mayor's certification is still lacking for both files. Therefore, the finding remains.

Condition 2: The child care certificates subsequently provided to the auditors were certificates the auditors had already reviewed. Each of those contested cases had a six-month certification period, and a certificate is required for each month; however, a certificate for only one or two months is documented in the each file. Therefore, the finding remains.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-25	93.575	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 all 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	01/30/00	03/02/00	23
2	04/30/00	05/09/00	6
3	07/30/00	08/22/00	17
4	10/30/00	02/02/01	71

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 the prior year audit of the Government of Guam.

Recommendation:

Grantee 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 November 23, 2001, the grantee provided the following response:

Agree. A timetable chart on all reports to the Federal Government will be distributed to all responsible individuals. Reports will be reviewed by respective supervisors and periodic reminders will be sent out prior to report due dates.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
 Child Care and Development Fund
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-26	93.575	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.	\$ 54,561

Condition:

1. There are unexpended/unobligated fund balances from grants for fiscal years 1997 and 1998, whose periods of availability ended prior to the fiscal year ended September 30, 2000. The aggregate total of unexpended/unobligated balances is \$215,542 as follows:

<u>Grant year</u>	<u>End of Obligation Year</u>	<u>Unexpended/ Unobligated Balance At 9/30/00</u>
1997	1998	\$ 205,676
1998	1999	<u>9,866</u>
	Total	\$ <u>215,542</u>

2. There are current year expenditures of \$54,561 from a fiscal year 1997 grant, whose liquidation period ended September 30, 1999.

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 from funds after the funds' periods of availability have expired.

Effect:

The grantee 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 \$54,561 exists.

Prior Year Status:

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

Recommendation:

The grantee 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.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan:</u>	<u>Questioned Costs</u>
2000-26	93.575	<p>In a letter dated November 23, 2001, the grantee provided the following response:</p> <p>Agree for FY 1997.</p> <p>Disagree for FY 1998. Our records show that the total unexpended/unobligated balance is \$20,386. Attached action dated 10/31/01 showed that the ACF has acted on the amount. The amount of \$9,866 is showing in DOA's funds balance available analysis report as an encumbrance amount. Adding this amount to the funds available of \$20,855, the total overexpended amount as \$10,990.</p> <p><u>Auditors' Response:</u></p> <p>The grantee's disagreement confirms our finding that \$9,866 remains unexpended at the end of the fund's liquidation period. Therefore, the condition remains a finding.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-27	93.575	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. Furthermore, all applications should be maintained on file.	\$ -

Condition:

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

1. For 5 cases (or 11%) (i.e., # 586-70-3502, 586-72-5807, 566-55-1187, 586-68-2932, and 586-68-2059), the disposition of the application for child care did not have a signature noting approval or disapproval.
2. For 3 cases (or 7%) (i.e., # 241-53-8108, 586-76-2366, and 586-66-0921), the disposition of the child care application exceeded 10 days.
3. For 4 cases (or 9%) (i.e., # 586-09-0715, 586-74-2867, 586-76-4034, and 586-11-3093), the child care application was not on file.

Cause:

There appears to be weak internal controls over ensuring that applications are properly processed within ten days, properly endorsed, and maintained on file.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee 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 the prior year audit of the Government of Guam.

Recommendation:

The grantee should strengthen internal controls to ensure that all applications are properly processed within ten days, properly endorsed, and maintained on file in accordance with OMB Circular A-133 eligibility requirements and the DPHSS Child Care and Development Fund Plan.

Auditee Response and Corrective Action Plan:

In a letter dated November 23, 2001, the grantee provided the following response:

Condition 1: Agree. Refresher training was conducted in July 2001, to ensure staff are consistent in the application of policies and procedures. Supervisory reviews will be conducted on every new and reopen cases to ensure accurate disposition of application.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, Continued:</u>	<u>Questioned Costs</u>
2000-27	93.575	<p>Condition 2: Agree. Refresher training was conducted in July 2001, to ensure staff are consistent in the application of policies and procedures. Supervisory reviews will be conducted on every new and reopen cases to ensure accurate disposition of application.</p> <p>Condition 3: Agree. Unit Supervisor will ensure that all files are properly stored and accounted for.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-28	93.575	<p>In accordance with OMB Circular A-133 subrecipient monitoring requirements, the pass-through entity agency must monitor the subrecipient for compliance with the subrecipient agreement.</p> <p><u>Condition:</u></p> <p>Subrecipient monitoring of activities, such as onsite visits, desk reviews, and limited scope audits, for subgrants to the Guam Community College and the Guam Department of Education, Headstart Program, was not performed.</p> <p><u>Cause:</u></p> <p>There appears to be lack of internal controls over subrecipient monitoring.</p> <p><u>Effect:</u></p> <p>There is no known effect to the financial statements as a result of this condition. However, grantee is in noncompliance with OMB Circular A-133 subrecipient monitoring requirements.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal controls to ensure that subrecipients are monitored in accordance with OMB Circular A-133 subrecipient monitoring requirements.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 23, 2001, the grantee provided the following response:</p> <p>Agree. Program Coordinator III is the designated staff responsible for monitoring of activities, such as onsite visits, desk reviews, and limited scope audits, for subgrants to the Guam Community College and the Guam Department of Education, Headstart Program.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
 Child Care and Development Fund
 Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-29	93.575	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: \$41,366 for child care resource and referral and school-aged child care activities (R&R), \$108,175 for infant and toddler quality improvement (I/T), and \$373,575 for quality expansion (QE).	\$ 523,116

Condition:

The grantee did not meet earmarking requirements, as follows:

	<u>R&R</u>	<u>I/T</u>	<u>QE</u>
Earmark	\$ 41,366	\$ 108,175	\$ 373,575
Expenditures per ACF-696	<u>0</u>	<u>0</u>	<u>0</u>
Deficiency	\$ <u>41,366</u>	\$ <u>108,175</u>	\$ <u>373,575</u>

Cause:

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

Effect:

The grantee is in noncompliance with OMB Circular A-133 earmarking requirements and grant award terms and conditions. A questioned cost of \$523,116 exists.

Prior Year Status:

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

Recommendation:

The grantee 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:

In a letter dated December 3, 2001, the grantee provided the following response:

[W]e concur with your findings. During the period, earmark amounts were included in the object class "Miscellaneous". Funds including earmarks under this category were used for child care payments.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services
Child Care and Development Fund
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response and Corrective Action Plan, Continued:</u>	<u>Questioned Costs</u>
2000-29	93.575	Effective FY 2001, we have established 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. A separate account was established for the earmark funds to ensure that the allocation for such purpose is compared to actual expenditures on a periodic basis. The Program Coordinator III will monitor all program accounts to ensure budgets are expended accordingly.	

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-30	All	<p>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.</p> <p><u>Condition:</u></p> <p>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.</p> <p><u>Cause:</u></p> <p>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.</p> <p><u>Effect:</u></p> <p>The effect is noncompliance with the Single Audit Act, OMB Circular A-133, and the Common Rule.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>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.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The grantee has not responded.</p>	\$ -

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-31	All	<p>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.</p> <p><u>Condition:</u></p> <p>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.</p> <p><u>Cause:</u></p> <p>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.</p> <p><u>Effect:</u></p> <p>The Government is in noncompliance with Federal regulations.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>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.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 30, 2001, the auditee provided the following response:</p> <p>Agree. Findings were also from the prior year. However, GASB 34 requires DOA to implement during FY2002. The Controller is assigned to this task and will launch by January, 2002.</p>	\$ -

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-32	All	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 grantee must be minimized.	\$ -

Condition:

A total of \$9,163,470 in cash advances related to grant years 1990 through 1999 is recorded as the beginning balance in the FGIA (Federal Grants In-Aid) Advances-Governor's Office account, as follows:

<u>Government of Guam Agency/Department</u>	<u>Balance</u>
Office of the Governor	\$ 74,571
Bureau of Budget & Management Research	21,586
Civil Service Commission	11,716
Administration	174,789
Revenue and Taxation	85,921
Bureau of Planning	792,902
Public Works	2,236,135
Law	17,911
Police/Public Safety	450,463
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	1,426,466
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>\$9,163,470</u>

Cause:

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Effect:</u>	<u>Questioned Costs</u>
2000-32	All	<p>Accounts receivable from Federal agencies could be overstated. Also, the grantee 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.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee 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 grantee is minimized and that the advance account is accurate. 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.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In a letter dated November 30, 2001, the auditee provided the following response:</p> <p>Disagree. Cash advances that were based from the prior year's finding, have been properly disbursed according to their respective grant application. This condition resulted from a lack of reconciliation and recording on the accounting system. The Federal Grants module was the last module implemented. However, due to staff shortages, (the General Accounting Supervisor transferred to another Agency) and two (2) Accountants (one retired and one went Off-Island) this matter was unresolved as of the audit field work. This task will be assigned to the Deputy Controller for resolution. The reconciliation of the subsidiary ledgers are currently being addressed.</p>	\$ -

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2000-33	All	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:

DOE has not been subjected to a Single Audit for the past three fiscal years - 1998, 1999, and 2000, despite material levels of federal fund expenditures.

In fiscal year 2000, the Government of Guam received Federal funds for the Guam Department of Education (DOE), as follows:

<u>CFDA #</u>	<u>Program Name</u>	<u>Amount</u>
10.553/10.555	Child Nutrition Cluster	\$ 4,213,863
10.558	Child and Adult Care Food Program	44,580
10.570	Nutrition Program for the Elderly	45,167
17.249	Employment Services and Job Training	179,662
	Pilots: Demonstrations and Research	
84.027	Special Education: Grants to States	6,523,172
84.181	Special Education: Grants for Infants and Families with Disabilities	1,326,764
84.185	Byrd Honors Scholarships	4,208
84.194	Bilingual Education Support Services	137,410
84.276	Goals 2000: State and Local Education Systemic Improvement Grants	76,327
84.318	Technology Literacy Challenge Fund Grants	738,139
84.340	Class Size Reduction	486,043
84.922	Unknown	6,147,638
84.998	Consolidated Block Grants	582,799
93.580	Unknown	30,047
93.600	Head Start	1,580,691
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	167,612
Unknown	Chapter 2	1,138,774
Unknown	IDEA	917,957
Unknown	Unidentified DOE Federal Programs	<u>4,699,793</u>
		<u>\$ 29,040,646</u>

During fiscal year 2000, the Government of Guam transferred at least \$22,899,181 of the \$29 million to DOE.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Cause:</u>	<u>Questioned Costs</u>
2000-33	All	<p>The Guam Department of Education has not prepared financial statements for audit.</p> <p><u>Effect:</u></p> <p>The Government of Guam is in noncompliance with the Single Audit Act, OMB Circular A-133, and the Common Rule. A questioned cost is not addressed because the amount actually expended by DOE cannot be determined, and DOE has initiated procedures to obtain the required Single Audits.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The Government of Guam should consider contracting an accounting firm to compile auditable financial statements for fiscal years 1998 through 2001 and having those financial statements audited by an independent certified public accountant or firm. Furthermore, the Government of Guam should consider incorporating the accounting function of the Guam Department of Education within the Guam Department of Administration, Division of Accounts.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>In November 2001, the Guam Department of Education published a notice in the local newspaper requesting proposals from independent certified public accountants to perform a Single Audit of DOE for fiscal years 1998, 1999, 2000, and 2001.</p> <p>In a letter dated November 30, 2001, the auditee provided the following response:</p> <p>Agree. DOE operates their own accounting functions and is currently soliciting an audit firm to comply with this finding.</p>	<hr/> <p>Total Questioned Costs \$ <u>7,146,869</u></p>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-34 - Enterprise Fund – Cash

Criteria: Bank reconciliations should be prepared for all bank accounts.

Condition: There were no bank reconciliations prepared for the following bank accounts.

<u>Acct. Name</u>	<u>Acct. Number</u>
Savings Account w/ Bank of Guam	0038-100637
Savings Account w/ BankPacific	01-0051915

Cause: It appears that the bank statements for those bank accounts were not received from the banks.

Effect: This condition may result in the misstatement of cash balances for the affected bank accounts.

Recommendation: The responsible personnel should contact the banks, obtain the lacking bank statements, and perform the necessary bank reconciliations.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.

Finding Number 2000-35 - Enterprise Fund – Accounts Receivable

Criteria: Supporting documents, such billings, receipt forms, and journal vouchers, should be maintained on file to substantiate revenue and accounts receivable balances.

Condition:

1. Journal voucher number J000610376 for the amount of \$219,256 could not be located.
2. For the solid waste management fund, no supporting documentation was provided for the following transactions:

Customer No	Invoice No.	Invoice Amount
T1999026463	B20000087086	\$ 40
T1999020315	B20000098486	80
T1999026546	B20000081422	184
T1999018226	B20000114620	48
T1999019570	B20000115267	8
T1999022863	B20000129112	40
T1999020798	B20000128659	64
T1999026502	B20000133793	448
T1999026504	B20000133729	<u>560</u>
Total		\$ <u>1,472</u>

3. For the solid waste management fund, no Guam official receipt form was provided to support collections totaling \$363,124.

Cause: Documents for the period from August 1, 1999, to June 30, 2000, were lost due to a June 30, 2000, system lock-up. There appears to be weak recordkeeping controls.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-35 - Enterprise Fund – Accounts Receivable, Continued

Effect: Revenues and accounts receivable 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 Division of Accounts should maintain detailed supporting documentation as well as system backups to substantiate revenue and accounts receivable balances.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. As of this period, however, the Division had a staff shortage issue and implemented a new financial management system. The corrective actions will include periodic reviews, reconciliation and proper records management. This task has been assigned to the Deputy Controller.

Finding Number 2000-36 - Debt Service Funds – Fund 404 (355)

Criteria: The bond covenant for the water system revenue bond fund stipulates that the Series 1989 Bonds, and the interest thereon, are not general obligations of the Government of Guam, but are special limited obligations of the Government of Guam, payable from, and secured solely by, a pledge of the revenues and the water system revenues, as defined in the bond certificate.

Condition: Contrary to the bond covenant, the Government of Guam accounts for the water revenue bond as a general obligation, rather than as a limited obligation, of the water system.

Cause: The Guam Waterworks Authority (GWA), the agency responsible for water system revenues, is not able to pay for this debt from water revenues, and was historically heavily subsidized by the general government.

Effect: There is no material effect on the financial statement as a result of this condition; however, the Government of Guam could be in violation of applicable bond covenants.

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 comply with the terms and conditions of the bond indenture. An opinion from the Guam Office of the Attorney General should be sought to clarify whether water system bonds are a general obligation of the Government of Guam, or a limited obligation of the water system.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Disagree. The WaterBond is currently being treated as a limited obligation bond. An opinion from our bond counsel can clarify this matter. A copy of the opinion is pending from GEDA.

Auditors' Response: As of report issuance, the bond counsel opinion was not provided to the auditors.

Finding Number 2000-37 - Debt Service Funds – Fund 405 (357)

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 \$50,000 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 effect on the financial statements as a result of this condition. However, the Government of Guam may be in noncompliance with the bond indenture.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-37 - Debt Service Funds – Fund 405 (357), Continued

Recommendation: The Government of Guam should establish a rebate fund in accordance with the bond indenture.

Auditee Response: The auditee has not responded.

Finding Number 2000-38 – Debt Service Fund

Criteria: All journal vouchers that are used to update transactions in the system should be properly reviewed and authorized by the controller and signed to evidence such review and approval.

Condition: A post-closing adjustment (PC # 47) for debt service Fund 407 (GOB 1995) was posted, but did not have any authorized signature by the controller or manager signifying a review.

Cause: There appears to be weak internal controls over ensuring that only reviewed and approved journal vouchers are posted.

Effect: There is no known effect on the financial statements as a result of this condition. However, there is a potential for unauthorized transactions to be posted to the system.

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

Recommendation: All journal vouchers should be reviewed to ensure that they are authorized and should contain the controller’s signature to evidence that such review and authorization has occurred.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. As of this period, however, the Division had a staff shortage issue and implemented a new financial management system. The corrective actions will include periodic reviews, reconciliation and proper records management. This task has been assigned to the Deputy Controller.

Finding Number 2000-39 – General Fund - Cash

Criteria: Bank account reconciling items should be investigated and resolved in a timely manner.

Condition:

- The following reconciling items appearing on the September 30, 2000 bank reconciliations resulted from unrecorded check disbursements for the months of December 1999 to May 2000. Details of items for the Bank of Guam and Bank of Hawaii General Fund account exist at the Division of Accounts, but no correction was proposed. Furthermore, post closing journal voucher no. J00PC00063 was proposed to record disbursements for the Bank of Hawaii Income Tax Refund account, however, such adjustment is not recorded in the financial statements.

	December '99	January '00	February '00	March '00	April '00	May '00
General Fund (BOH)	-	-	-	184,519	-	-
General Fund (BOG)	-	268,519	150,326	417,514	-	-
Income Tax Refund (BOH)	-	-	-	-	316,973	480,976
Income Tax Refund (BOG)	<u>117,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>117,305</u>	<u>268,519</u>	<u>150,326</u>	<u>602,033</u>	<u>316,973</u>	<u>480,976</u>

Total unresolved reconciling items is \$1,936,132.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-39 – General Fund – Cash, Continued

2. The following reconciling items are noted to be unrecorded deposits and unrecorded credit and debit memos on the bank reconciliations:

<u>Bank Acct. Name</u>	<u>Bank Acct. #</u>	<u>Unrecorded Deposit and Credit Memo</u>	<u>Unrecorded Debit Memo and Others</u>
Tax Deposit Account	6838-091204	\$ 241,337	\$ -
Union Bank	713-62401	7,132	2,553
First Hawaiian Bank	03-045382	58,623	1,964
Guam Earned Income	03-063208	-	6,747
BOG Withholdings	2501-001229	262,450	-
Withholding Tax Deposit	0300-005696	26,643	-
Child Support	200000075	233,947	105,839
Tax Deposit Acct	7008-002945	8,336	-
Withholding Tax	0-000117-064	<u>19,449</u>	<u>4,992</u>
Total		\$ <u>857,917</u>	\$ <u>122,095</u>

3. The following reconciling items are noted to be unknown items, or bank transactions without documentation, on the bank reconciliations:

<u>Bank Acct. Name</u>	<u>Acct. #</u>	<u>Amount</u>
General Fund (BOH)	0038-100637	\$ 5,425
General Fund (BOG)	0101-014592	\$34,026
Withholding Tax (CB)	000117-064	\$33,279

4. The Child Support checking account #200000075 bank reconciliation contains several deposits in transit from previous years totaling \$22,427.

Cause: There appears to be a lack of internal controls over ensuring the immediate investigation and resolution of bank reconciliation reconciling items.

Effect: There is no known effect on income or expenditure accounts; however, cash and liabilities may be misstated.

Recommendation: The Division of Accounts (DOA) should establish internal controls to ensure that reconciling items on bank reconciliations are immediately investigated and resolved. Furthermore, DOA should record the related adjusting entry proposed by the auditors.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.

Finding Number 2000-40 – General Fund - Cash

Criteria: Federal monies received directly by the bank through electronic deposits should be immediately identified and recorded in the proper federal grant accounts.

Condition: Federal monies totaling \$1,714,896 are recorded as an unidentified collection in the general fund (a liability account) per post closing journal number J00PC00065.

Cause: There appears to be weak internal controls over ensuring that electronic deposits received from Federal agencies are immediately identified and recorded in the proper account. Furthermore, due to staff changes in fiscal year 2000, it appears that newer staff within the Federal Grants Section at the Division of Accounts are inexperienced at properly identifying sources of electronic Federal receipts.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-40 – General Fund – Cash, Continued

Effect: This condition may result in a misstatement of the affected accounts in the General Fund and Federal Grants Fund.

Recommendation: The Federal Grants Division should train its newer staff to properly identify and record Federal monies received electronically. The responsible personnel should consider contacting all Federal Grantor agencies and identifying which agencies send funds electronically. From those agencies, the responsible personnel should obtain codes that the agency can use, and that the bank can disclose on bank statements, to identify specific grant awards to which the reimbursement/advance applies. Such codes should be disseminated to all Federal Grants Division staff.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.

Finding Number 2000-41 – General Fund – Cash

Criteria: Outstanding check listings should be prepared for all checking accounts.

Condition: There were no supporting outstanding check listings for the following outstanding check totals:

<u>Bank name</u>	<u>G/L Acct No</u>	<u>Bank Acct No</u>	<u>Description</u>	<u>(\$) Amount of O/S checks</u>
Bank of Hawaii	9001-1181	0038-100602	Payroll Account	2,146,127
Bank of Hawaii	9001-1182	0038-100629	Public Assistance acct.	183,661
Bank of Hawaii	9001-1184	0038-100599	Child Support Checking	1,042,045
Bank of Hawaii	9001-1183	0038-100610	Income Tax Refund	1,512,258
Bank of Guam	9001-1112	101-014583	Payroll Account	143,634
Bank of Guam	9001-1113	101-014617	Public Assistance acct.	421,825
Bank of Guam	9001-1114	101-14608	Income Tax Refund	264,852
Citizen Security Bank	1100-10260	200000075	Child Support Checking	448,982

Cause: The data department, which is independent of accounting staff performing bank reconciliations, was given the responsibility of generating computerized outstanding check listings. The data department failed to provide such listing, and there appears to have been no effort to manually generate check listings.

Effect: Cash balances of the affected accounts may be misstated.

Recommendation: Management should establish internal controls to ensure that the data department generates computerized listings of outstanding checks. At the end of the month, the responsible personnel should obtain such listings from the data department. If no such listings will be electronically generated, then the responsible personnel should initiate manual procedures to identify and document individual checks comprising outstanding check totals on bank reconciliations.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding No. 2000-42 – General Fund - Accounts Payable and Other Payables

Criteria: Accounts Payable – Contract Retention account should be periodically reviewed and monitored for validity and accuracy.

Condition: Authoritative documents, such as contracts, could not be provided to support contract retention balances totaling \$537,295, which have been outstanding prior to September 30, 1993.

Cause: It appears that Accounts Payable – Contract Retention is not monitored on a regular basis.

Effect: Liabilities 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 periodically monitor the status of contracts and review the balance of the contract retention account. Also, the Division of Accounts should consider whether older amounts should be written off and debit balances adjusted.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-43– General Fund - Accounts Payables and Other Payables

Criteria: A detailed subsidiary ledger should be maintained to support general ledger control balances.

Condition: No subsidiary ledger exists to support the “Unidentified Bank Tax Collection” balance. The balance in this account of \$390,727 has been outstanding since 1991.

Cause: There appears to be weak internal controls over ensuring the preparation and maintenance of subsidiary ledgers to support general ledger control accounts.

Effect: The affected 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.

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

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-44– General Fund - Accounts Payable and Other Payables

Criteria: The account “Dep-Fica EFTS Payroll Deductions” should be monitored and reconciled on a regular basis.

Condition: The account presents a debit balance of \$3,867,572, which should be reconciled and offset with Accrued Payroll.

Cause: There appears to be a lack of internal controls over ensuring that debit balances in liability accounts are investigated and resolved in a timely manner.

Effect: Other Liabilities may be understated, and Accrued Payroll may be overstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding No. 2000-44– General Fund - Accounts Payable and Other Payables, Continued

Recommendation: The Division of Accounts should establish internal controls to ensure that debit balances in liability accounts are immediately investigated and resolved.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-45– General Fund - Accounts Payables and Other Payables

Criteria: The liability account “Dep-92 Agri & Economic Census”, amounting to \$4,422,795, represents remittances from the U.S. Census Bureau for expenditures incurred by the Government of Guam during the 2000 census survey. The account should be analyzed to determine whether portions of this liability account could be offset against expenditures incurred during the census in fiscal year 2000.

Condition: The account has had no movement since December 1999, when funds were received. This liability account should have decreased as expenditures were incurred for census operations from January to September 2000.

Cause: There appears to be a lack of internal controls over ensuring that advances are applied to related expenditures when incurred.

Effect: Other liabilities may be misstated.

Recommendation: The Division of Accounts should analyze the account and record necessary adjustments..

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-46– General Fund - Accounts Payable and Other Payables

Criteria: Recorded liabilities should represent valid obligations.

Condition: The liability account “Reissuance Acct-Gen Fund”, amounting to \$1,760,492, does not represent a valid liability. The check that should have cleared this amount was reissued, but was apparently recorded against the wrong account.

Cause: There appears to be weak accounting controls.

Effect: Other liabilities is overstated by \$1,760,492.

Recommendation: The Division of Accounts should investigate the posting of the reissued check and make the necessary corrections.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000**

Finding No. 2000-47 – General Fund - Other Receivables

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 85%, or \$678,137, of the total balance of \$794,329.
- 2) Receivables older than 120 days constitute 76%, or \$5,527,830, of the total receivables balance of \$7,237,546.

Cause: The Government of Guam does not appear to be enforcing the above collection policies.

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

Effect: Accounts Receivable may be overstated, and cash flows of the Government of Guam may be negatively impacted.

Recommendation: The Government of Guam should strictly enforce its collection policies to ensure the prompt receipt of overdue amounts.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-48 – General Fund - Other Receivables

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 \$166,226.
- 2) Accounts receivable from the Guam Telephone Authority (GTA) have not been reconciled in a timely manner.
- 3) Reconciliations between DOA and the Department of Revenue and Taxation (DRT) have not been performed as of September 30, 2000, resulting in variances, as follows:

	<u>Per DRT</u>	<u>Per DOA</u>	<u>Difference</u>
A/R Bad Checks (Income Tax)	\$103,741	\$2,536,604	\$2,432,863
A/R Bad Checks (GRT)	\$153,327	\$739,476	\$586,149

- 4) The account “A/R Federal/School Lunch” 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. During fiscal year 2000, the account had no movement. The nature of the account is such that it should wash out 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 transferred out to the Guam Department of Education.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding No. 2000-48 – General Fund - Other Receivables, Continued

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.
- 3) The Department of Revenue and Taxation is responsible for reconciling bad checks related to tax payments due to the confidentiality of taxpayer records.
- 4) 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 funds are transferred out to the Guam Department of Education.

Effect: Accounts receivable balances 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:

- 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.
- 3) The Division of Accounts and the Department of Revenue and Taxation should monitor and reconcile accounts for bad checks on a periodic basis.
- 4) The Division of Accounts should analyze the A/R Federal/School Lunch account and determine whether funds had already been received and should record the necessary adjustments to reflect an accurate balance. Prior to transferring Federal receipts to the Guam Department of Education, the responsible personnel should determine whether the collections should be applied to existing receivable balances.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Condition 1 and 2: Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Condition 3: Agree. Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller. In a letter dated November 30, 2001, the auditee provided the following response:

Finding No. 2000-49 – General Fund - Other Receivables

Criteria: Procedures to record an allowance for doubtful accounts should be established and implemented.

Condition: In the accounts receivables aging schedule, receivable balances more than 120 days overdue constitute 76%, or \$5,527,830, of the total gross accounts receivable balance of \$7,237,546 as of September 30, 2000. Furthermore, 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.

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 establish and implement policies and procedures to properly reflect the net realizable value of receivables.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding No. 2000-49 – General Fund - Other Receivables, Continued

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-50 – General Fund - Other Receivables

Criteria: Transactions should be promptly recorded in the general ledger.

Condition: A/R – Use Tax currently presents a credit balance of \$665,551. Receipts were properly recorded, but numerous Use Tax invoices were not recorded in the system.

Cause: There appears to be weak internal controls over ensuring that all Use Tax invoices are recorded in the system.

Effect: Accounts receivable and revenue could be understated.

Recommendation: Management should strengthen internal controls to ensure that the responsible personnel immediately records all Use Tax invoices.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding No. 2000-51 – General Fund - Other Receivables

Criteria: Supporting documents, such as billings, receipt forms, and journal vouchers, should be maintained on file to substantiate revenue and accounts receivable balances.

Condition: Journal Voucher # J000662064 for the amount of \$202,315 could not be located to substantiate a debit to the GTA receivable balance, which totals \$450,996.

Cause: There appears to be weak recordkeeping controls.

Effect: Accounts receivable may be overstated by \$202,315.

Recommendation: Management should locate the journal voucher and strengthen recordkeeping controls.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding Number 2000-52 - Taxes Receivable

Criteria: Balances recorded in general ledger control accounts at the Division of Accounts (DOA) should agree with balances reported in corresponding detailed subsidiary schedules maintained at line agencies.

Condition: Differing balances of taxes and gross receipts tax receivables for various fiscal years are recorded in the general ledger at DOA and in corresponding detailed schedules at the Guam Department of Revenue and Taxation. The differences aggregated some \$17 million for taxes receivable and some \$1.6 million for gross receipts tax receivable.

Cause: A reconciliation between the general ledger and corresponding detailed subsidiary schedules was not performed.

Effect: The affected accounts may be misstated.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-52 - Taxes 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 responsible personnel should perform a periodic reconciliation of the respective records.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller.

Finding Number 2000-53 - Taxes Receivable

Criteria: The Public Law 22-140 reference to Title 11 Chapter 50 of the Guam Code Annotated requires the Guam 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: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller. However, regarding the income tax reserve calculations a formula was derived however, due to the critical cash crises, the reserve was based upon availability.

Finding Number 2000-54 - Taxes Receivable

Criteria: Detailed subsidiary schedules should be accurate.

Condition: The detailed gross receipts tax receivable schedule prepared by the Department of Revenue & Taxation (DRT) contains abatement entries that were double posted, resulting in credit balances in the receivable accounts.

Cause: There appears to be weak internal controls over ensuring that the detailed gross receipts tax receivable schedule is properly reviewed for accuracy.

Effect: The general ledger (G/L) balances 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, 2000

Finding Number 2000-54 - Taxes Receivable, Continued

Recommendation: DRT should review the detailed schedule for accuracy before forwarding to the Division of Accounts for recording to the general ledger.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller.

Finding Number 2000-55 - Taxes Receivable

Criteria: Public Law 22-140 requires the Director of Administration to 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 reserve amount, based on the established formula, was not deposited into Fund 505 (303) as mandated by law.

Cause: It appears that insufficient resources have been collected to allow for the required deposit.

Effect: The affected funds and accounts could be misstated, and noncompliance with the public law could result.

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

Recommendation: The Director of Administration should make the required deposit into the income tax reserve fund in accordance with Public Law 22-140. If such deposit is not feasible, the Guam Legislature should be petitioned to amend the law.

Auditee Response: The auditee has not responded.

Finding Number 2000-56 - Securities

Criteria: The detailed schedules of securities maintained at the Treasurer of Guam for safekeeping should agree with the detailed schedules maintained at the Guam Department of Revenue and Taxation (DRT).

Condition: The detailed schedules of securities at the Treasurer of Guam and DRT differ, as follows:

Per Treasurer of Guam	\$13,514,489
Per DRT	<u>12,494,191</u>
Unreconciled Variance	<u>\$ 1,020,298</u>

Cause: There appears to be a lack of internal controls over ensuring that the physical inventory of securities at the Treasurer of Guam is reconciled with detailed schedules maintained at DRT.

Effect: Security deposits could be misstated by \$1,020,298.

Recommendation: The Division of Accounts should establish internal controls to ensure that the responsible personnel performs periodic reconciliations of the detailed schedules of securities at the Treasurer of Guam and DRT.

Auditee Response: The auditee has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-57 – Income Tax Rebate

Criteria: The detailed schedules of Income Tax Rebate from the Division of Accounts (DOA) should agree with detailed schedules maintained at the Guam Department of Revenue and Taxation (DRT).

Condition: The difference of rebate payable is as follows:

Per DOA	\$3,419,757
Per DRT	<u>2,802,010</u>
Unreconciled Variance	<u>\$ 617,747</u>

Effect: There appears to be a lack of internal controls over ensuring that the detailed schedules at the DOA and DRT are reconciled.

Recommendation: The Division of Accounts should establish internal controls to ensure that the responsible personnel performs periodic reconciliations of the detailed schedules at DOA and DRT.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller.

Finding Number 2000-58 - Fund 101 – Appropriations

Criteria: Legislatively mandated annual appropriated balances should be properly loaded in the financial management system (FMS) upon upgrade or modification.

Condition: The appropriations status report provided by the Bureau of Budget Management Resource indicates that appropriated balances loaded to the FMS system were \$28,533,000 greater than balances appropriated by public law. Additionally, continuing appropriations approximating \$3,500,200 were not properly recorded in the FMS system upon initial data migration.

Cause: The cause of this condition appears to be related to a systems maintenance issue during the migration of data from the AS 400 system to the new FMS.

Effect: There is no known effect on the financial statements as a result of this condition.

Recommendation: Legislative appropriations should be properly loaded in the financial management system upon initial recording or subsequent modification.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-59 - Fund 303 – Accrued Expenses

Criteria: Correcting journal entries should be recorded in a timely manner upon identification and management approval.

Condition: The following fiscal year 1999 post closing entries were not properly posted during fiscal year 2000:

<u>Contract Retention</u>	
J99PC00012	\$ 22,955
J99PC00025	4,990
J99PC00026	<u>(4,635)</u>
Total	\$ <u>23,310</u>

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2000. 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 could be understated.

Recommendation: Post-closing adjustments should be recorded upon review and management approval to properly update system detail records

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

Finding Number 2000-60 - Fund 303 – CIP Accrued Expenses

Criteria: Detailed schedules should be properly prepared and maintained to substantiate account balances.

Condition: The contract retention schedule for fiscal year 2000 was not provided.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2000. Staff members responsible for tracking and reviewing CIP projects and related liabilities left the division or were re-assigned based on other priorities.

Effect: There is no known effect on the financial statements as a result of this condition. However, the absence of detailed schedule may make it difficult for supervising personnel to review and monitor account status.

Recommendation: The responsible personnel should prepare the detailed schedules for fiscal year 2000 to allow for the monitoring and review of accounts.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding Number 2000-61 - 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, 2000, includes a bond rebate liability amounting to \$168,166. A report issued by Orrick, Herrington & Sutcliffe LLP indicates that the rebate liability is zero.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2000. Staff members responsible for tracking and reviewing CIP projects and related liabilities left the division or were re-assigned based on other priorities.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-61 - Fund 303 – CIP Accrued Expenses, Continued

Effect: The contract retention account balance could be misstated.

Recommendation: The responsible personnel should review Fund liabilities for validity on an annual basis.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding Number 2000-62 - Fund 303 – CIP Accrued Expenses

Criteria: Expenditures should not exceed amounts appropriated by the legislature.

Condition: The project status report for CIP Fund 303 for the fiscal year ended September 30, 2000, indicates that cumulative expenditures, plus encumbered amounts, exceed legislatively appropriated balances by \$174,670 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 2000. 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.

Recommendation: The Division of Accounts should review expenditures to ensure that amounts do not exceed legislative appropriations for each capital improvement project currently in progress. Additionally, the Division of Accounts should consider the feasibility of transferring appropriations from another capital improvement project to correct this situation.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

Finding Number 2000-63 - 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: The project status report for CIP Fund 303 for the fiscal year ended September 30, 2000, 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.

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: The auditee has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-64 - Fund 303 – CIP Bank Reconciliation

Criteria: Bank account reconciling items should be reviewed and adjusted in a timely manner upon completion of the bank reconciliation.

Condition: The September 2000 bank reconciliation for the Water System Revenue Fund includes reconciling items totaling \$538,854, which were initially identified in the May 2000 bank reconciliation.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2000. Staff members responsible for tracking and reviewing CIP projects and related accounts left the division or were re-assigned based on Division priorities

Effect: The bank account balance may be misstated.

Recommendation: Management should review and adjust bank account reconciling items in a timely manner.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.

Finding Number 2000-65 - Fund 303 – CIP Appropriations

Criteria: Transactions should be properly recorded in the continuing appropriations account.

Condition: It appears that transactions totaling \$664,015 are not properly recorded in the continuing appropriations account.

Cause: The cause of this condition appears to be related to staff shortages that occurred in the Division of Accounts during fiscal year 2000. Staff members responsible for tracking and reviewing CIP project transactions left the division or were re-assigned based on Division priorities.

Effect: The appropriations account balance may be misstated.

Recommendation: The Division of Accounts should review appropriation transactions on a quarterly basis for accuracy and to ensure that expenditures do not exceed legislatively appropriated amounts for each capital improvement project currently in progress.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-66 - Fund 507 - Workers' Compensation Fund

Criteria: Transactions should be properly supported by documents, such as check copies and vendor invoices.

Condition: Supporting documents, such as check copies and vendor invoices, were not provided to substantiate the following transactions:

	<u>Invoice Number</u>	<u>\$ Amount</u>	<u>Accounting Date</u>
Account 206-Travel			
1	1114-0122	6,650	28-Jan-00
Account 251 contract Services			
1	19931470 DE99	4,125	31-Mar-00
2	19990756 JA99	5,074	30-Mar-00
3	20000162 DE99	14,881	16-Mar-00
4	19970066 JA00	3,265	4-Apr-00
5	19951676 MR00	2,128	7-Jun-00
6	19982314 MY98	4,949	3-Jun-00
7	19983061 OC99	4,135	15-Jun-00
8	19973334 FE00 C	27,763	8-Jun-00
9	19992571 SE99 B	4,065	22-Jun-00
10	19840187	7,852	28-Jan-00
11	19990125	6,890	28-Jan-00
12	19980964	6,333	28-Jan-00
13	71699	6,250	28-Jan-00
14	70599	15,475	28-Jan-00
15	19973334 FE00a	12,459	30-Sep-00
16	19982935 AU98	7,862	8-Aug-00
Account 754 Other			
1	716-81099	4,075	1-Jan-00
2	20000172 JL00	1,393	5-Jul-00
3	20000172 JL00 A	3,643	11-Aug-00
4	1003-1016	500	28-Jan-00
5	19961289 JL00	998	5-Jul-00
6	960750 AP2011	54,197	25-Sep-00

Cause: There appears to be weak recordkeeping controls.

Effect: Expenditures could be misstated.

Recommendation: The Division of Accounts should strengthen recordkeeping controls to ensure that such documentation as check copies and vendor invoices are maintained on file to substantiate financial transactions.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-67 - Fund 512 – Residential Treatment

Criteria: All transactions should be substantiated.

Condition: No supporting documentation for a post-closing entry in the amount of \$1,279,560 was provided.

Cause: There appears to be weak recordkeeping controls.

Effect: Expenditures could be misstated by \$1,279,560.

Recommendation: The Division of Accounts should strengthen recordkeeping controls to ensure that supporting data is maintained on file to substantiate such transactions as post-closing journal entries.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment..

Finding Number 2000-68 - Fund 702 – Internal Service Fund – Agency Surplus

Criteria: A listing of inventory held on hand should be maintained on file.

Condition: No inventory listing as of September 30, 2000, was provided.

Cause: There appears to be weak recordkeeping controls.

Effect: Inventory could be misstated.

Recommendation: The General Services Agency should strengthen recordkeeping controls to ensure that detailed inventory listings are maintained on file to substantiate balances of inventory on hand.

Auditee Response: The auditee has not responded.

Finding Number 2000-69 - Fund 703 – Internal Service Fund – Inventory

Criteria: Inventory should be properly supported by such documents as check copies and 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>
1	S019500769	FORM-OFFICIAL RECEIPT 6 X 5	2,661	2.30	6,120
2	S613500003	A2-BATTERY 0 ENERGY H/D	3,602	2.66	9,581
3	S623001188	LANTERN-FLUORESCENT POWER TANK	44	120.00	5,280
4	S721001026	H2-BED SHEET WHT SINGLE 66	84	97.51	8,191
5	S751000288	05-RIBBON IBM COMPOSER BLK	335	15.00	5,025
6	S751000401	E1-CLAY MOLDING NON-TOXIC	684	7.54	5,157
7	S751000450	X-XEROX DRY INK 1075 90 4050	84	66.00	5,544
8	S751000833	PEN-UNIBALL ONYX U8102/103	1,305	4.72	6,160
9	S751000964	XEROX DRY INK 5312 14	101	107.81	10,889
10	S751001033	X-XEROX CART COPY	71	275.13	19,534
11	S751001083	XEROX-DEV 5380 5385	92	264.00	24,288
12	S751001210	BINDERS PRESSGUARD 81/2X11	236	28.10	6,632
13	S751001231	XEROX-DRY INK, 5380 6R382/6R818	93	109.00	10,137
14	S752001084	XEROX STAPLES 5365 80 85 88	66	95.00	6,270
15	S753000221	C1-COMPUTER PAPER 4PLY 14+X	62	66.23	4,106

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-69 - Fund 703 – Internal Service Fund – Inventory, Continued

	<u>Item No</u>	<u>Description</u>	<u>Quantity on Hand</u>	<u>\$ Unit Price</u>	<u>Extension</u>
16	S753008845	04-CALENDER APT 8K PROF #045	216	23.65	5,108
17	S791001045	J2-BUFFER PAD 20" STRIP	268	21.14	5,666
18	S793000962	H1-DETERGENT POWO LAUND	899	7.07	6,356
19	S810501182	J3-PLASTIC BAG 6-10 GAL CLEAR	432	13.95	6,026
20	S841500013	S1-GLOVE WORKING LEATHER PAL PR	2,567	2.03	5,211
21	S852001142	H3 BATH SOAP 4.5 TO 5 OZ	244	30.52	7,447

Cause: There appears to be weak record keeping controls.

Effect: Inventory could be misstated.

Recommendation: The General Services Agency should strengthen recordkeeping controls to ensure that supporting documents, such as invoices, are maintained on file to substantiate inventory held on hand.

Auditee Response: The auditee has not responded.

Finding Number 2000-70 – Continuing Appropriations

Criteria: Continuing appropriations recorded in the general ledger should be substantiated by underlying public laws.

Condition: There is no public law to substantiate a total \$28,108 in continuing appropriations recorded in Fund 510, Community Development fund.

Cause: If a public law is silent as to whether a continuing appropriation has been created, the Division of Accounts has assumed a policy of recording a continuing appropriation.

Effect: Continuing appropriations could be overstated with corresponding understatement of unreserved fund balance.

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 obtain an opinion form the Guam Office of the Attorney General with respect to whether a continuing appropriation has been properly created for Fund 510.

Auditee Response: The auditee has not responded.

Finding Number 2000-71 - Outstanding Encumbrances

Criteria: Purchase orders, contracts, work orders and other sources of outstanding encumbrances should be liquidated on a timely basis.

Condition: Approximately \$18.4 million of total outstanding encumbrances, aggregating about \$60 million, have been outstanding for three or more years.

Cause: There appears to be a lack of internal controls over ensuring the timely liquidation of purchase orders, contracts, work orders, or other sources of outstanding encumbrances.

Effect: Outstanding encumbrances may be overstated if the amounts outstanding over three years are cancelable or considered void.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-71 - Outstanding Encumbrances, Continued

Recommendation: The Division of Accounts should strengthen internal controls to ensure that purchase orders, contracts, work orders, and other sources of outstanding encumbrances are liquidated in a timely manner. The responsible personnel should prepare and review a detailed listing of all encumbrances outstanding over three years and submit such listing to the Bureau of Budget and Management Research (BBMR) for determination as to whether such items may be canceled and the deencumbered funds be reverted to the unreserved fund balance.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. Finding was the same as in the prior year. The Division of Accounts will review and forward all outstanding encumbrances over 3 years old to BBMR for further action.

Finding Number 2000-72 - Trust Funds - Systems Walkthrough

Criteria: For purposes of security, application backups and a corresponding log should be maintained offsite

Condition: All application backup data is stored onsite in the Data Processing (DP) Department building.

Cause: There appears to be weak internal controls over ensuring that DOA application data is stored offsite.

Effect: There is no known effect to the financial statements as a result of this condition; however, poor security over application backups exists.

Recommendation: The DP Department should maintain offsite storage for backup files and a corresponding log.

Auditee Response: The auditee has not responded.

Finding Number 2000-73 - Trust Funds - Systems Walkthrough

Criteria: Security over the accounting information system should be strong.

Condition: The following accounting information system security weaknesses were noted:

Machine's System Policy

1. User passwords are set at a minimum 4 characters in length.
2. Lock out control is disabled, which increases the risk of intruders gaining access to the system through repeated password guessing attempts.
3. Auditing features of the Windows application are not used which is recommended that Security Policy Changes and User Group Management events be (minimally) logged.

Cause: It appears that strong security policies for the accounting information system were not a priority for the personnel who established such policies.

Effect: There is no known effect to the financial statements as a result of this condition; however, there appears to be poor security over accounting information systems.

Recommendation: The Data Processing Department should develop strong policies and procedure to ensure information security of the accounting system.

Auditee Response: The auditee has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-74 – Revenue Test of Controls

Criteria: All financial records, such as check copies, payment requests, invoices, and receiving reports, should be maintained on file to substantiate revenue transactions.

Condition For 1 (or 4%) out of 25 transactions, no check copy, payment request, invoice, or receiving report was on file to substantiate the following transaction:

<u>Date</u>	<u>Revenue JV#</u>	<u>Amount</u>
11/24/99	J000800379	\$662,049

Cause: There appears to be weak recordkeeping controls

Effect: Revenues could be misstated

Recommendation: The Department of Administration, Division of Accounts, should strengthen recordkeeping controls to ensure that such financial records as check copies, invoices, receiving reports and payment requests are maintained on file to substantiate revenue transactions.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

Finding Number 2000-75 – Travel Test of Controls

Criteria: The Government of Guam's' travel and transportation manual, section 1712, requires that travel vouchers and supporting travel documents be cleared by travelers within 15 days after returning to Guam. The Director of Administration shall initiate recovery of any outstanding advances by offset of salary due, retirement credit, or any such legal method of recovery as may be necessary.

Condition: Of 27 travel packages tested, the following were not cleared within the required 15-day period:

	<u>TA #</u>	<u>Date Returned</u>	<u>Amount</u>	<u>Date cleared</u>
1	T/P00020	10-14-99	\$ 975	Unavailable
2	T/P00047	10-22-99	\$ 750	Unavailable
3	T/P00327	04-05-00	\$ 0	Unavailable
4	T/P00354	04-13-00	\$ 600	Unavailable
5	T/P00357	04-13-00	\$ 600	Unavailable
6	T/P00394	05-02-00	\$ 50	Unavailable
7	T/P00405	05-10-00	\$ 850	Unavailable
8	T/P00419	05-12-00	\$ 700	Unavailable
9	T/P00446	05-25-00	\$ 750	Unavailable
10	T/P00503	06-26-00	\$ 1,050	Unavailable
11	T/P00509	06-29-00	\$ 0	Unavailable
12	T/P00512	06-29-00	\$ 1,312	09-13-00
13	T/P00514	06-29-00	\$ 2,850	06-28-01
14	T/P00391	06-29-00	\$ 0	Unavailable

Cause: There appears to be weak internal controls over ensuring that the traveler submits the required documents as required.

Effect: There is no known effect on the financial statements as a result of this condition. However, it appears the Department of Administration is not enforcing the requirements of the travel and transportation manual, section 1712.

Recommendation: The Department of Administration should ensure enforcement of section 1712 of the travel and transportation manual.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-75 – Travel Test of Controls, Continued

Auditee Response: The auditee has not responded.

Finding Number 2000-76 – Travel Test of Controls

Criteria: The Government of Guam’s travel and transportation manual, section 1714.02 {c}, requires travel requests to be accompanied by written justification.

Condition: Out of 27 travel packages tested, the following travel request did not contain the required written justification:

<u>TA #</u>	<u>Amount</u>
T/P00509	\$ 85

Cause: There appears to be weak recordkeeping controls.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the travel and transportation manual, section 1714.02(c), may exist.

Recommendation: The Department of Administration Travel Department should strengthen recordkeeping controls to ensure compliance with section 1714.02(c), of the travel and transportation manual.

Auditee Response: The auditee has not responded.

Finding Number 2000-77 – Travel Test of Controls

Criteria: The Government of Guam’s travel and transportation manual, section 1713.01, requires travelers to fly economy class.

Condition: Out of 27 travel packages tested, one travel package did not contain the boarding passes. Thus, it cannot be determined whether the traveler flew economy class.

<u>TA #</u>	<u>Amount</u>
T006T00327	\$ 2,647

Cause: There appears to be weak recordkeeping controls.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with travel and transportation manual, section 1713.01, may exist.

Recommendation: The Department of Administration Travel Department should strengthen recordkeeping controls to ensure compliance with section 1713.01 of the travel and transportation manual.

Auditee Response: The auditee has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-78 – Travel Test of Controls

Criteria: Travel disbursements should be properly supported by such documents as A/R travel vouchers, travel requests and authorizations, Government of Guam itinerary forms, order for transportation ticket forms, per diem request for payment forms, and invoices.

Condition:

1. No supporting documents were on file to substantiate travel expenditures for travel package #T/P 00030 in the amount of \$1,010 and #T/P 00327 in the amount of \$2,647.
2. No travel requests and authorization forms were on file to substantiate approval by BBMR for travel package #T/P00519 and #T/P00520 for the amount of \$625.
3. No travel vouchers, ticket stubs, or boarding passes were on file to substantiate whether travel package #T/P 00030 in the amount of \$1,010 and #T/P 00367 in the amount of \$1,144.

Cause: There appears to be weak recordkeeping controls.

Effect: Travel expenditures could be misstated.

Recommendation: The Division of Accounts should strengthen recordkeeping controls to ensure that such documents as A/R travel vouchers, travel requests and authorizations, Government of Guam itinerary forms, order for transportation ticket forms, per diem request for payment forms, and invoices are maintained on file to substantiate travel transactions.

Auditee Response: The auditee has not responded.

Finding Number 2000-79 – Travel Test of Controls

Criteria: All travel requests, authorization forms, and supporting travel documents (i.e., invoices and travel tickets) should be mathematically accurate.

Condition:

1. Travel request and authorization forms for T/P 00022 in the amount of \$900 were paid for a 6-day conference. However, the actual conference was only 5 days.
2. Travel request for T/P 00357 indicates that 12 days in the amount of \$1,144 was paid to the traveler.
3. Supporting documents for T/P 00405 in the amount of \$850 states that ticket issued to traveler was for Majuro and Honolulu with per diem of 6 days. However, the conference was only held in Majuro for 3 days.

Cause: There appears to be weak controls over ensuring the accuracy of travel documents.

Effect: Travel expenses could be misstated.

Recommendation: The Department of Administration should strengthen internal controls to ensure that travel requests, authorization forms, invoices, and travel tickets are accurate.

Auditee Response: The auditee has not responded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-80 – Travel Test of Controls

Criteria: Financial records, such as check copies, invoices, and receiving reports, should be maintained on file to substantiate expenditures.

Condition

For 5 (or 19%) out of 27 transactions, no check copy, invoice, receiving report, or payment request was on file to substantiate the following expenditures:

<u>Date</u>	<u>Travel Auth #</u>
10/14/99	TA006T00020
10/20/99	TA006T00030
10/22/99	TA006T00047
12/06/99	TA006T00131
	TA00600520

Cause: There appears to be weak recordkeeping controls.

Effect: Expenditures could be misstated.

Recommendation: The Department of Administration, Division of Accounts, should strengthen recordkeeping controls to ensure that such financial records as check copies, invoices, receiving reports and payment requests are maintained on file to substantiate expenditures.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

Finding Number 2000-81 – Special Revenue Funds, Trust Funds and Enterprise Funds

Criteria: Funds that have been inactive for several years should be brought to the attention of the legislative body of the Government of Guam (Guam Legislature) to determine whether such funds may be revoked by public law.

Condition: There are sixteen funds presented in the general purpose financial statements with no account balances or transactions:

<u>Fund</u>	<u>Fund Type</u>
Fund 210	Summer School Fund
Fund 230	Vocational Rehab Revolving Fund
Fund 231	GFD Capital Outlay Revolving Fund
Fund 246	Guam Beautification Fund
Fund 247	Municipal Litter Defacement Fund
Fund 267	Public Transit Fund
Fund 271	District Improvement Fund
Fund 272	Land Acquisition Fund
Fund 260	Controlled Substance Diversion Fund
Fund 509	Off-Island Sports Fund
N/A	Tiyan Trust Fund
Fund 801	Chamorro Home Loan Fund
Fund 803	Chamorro Home Repair Fund
Fund 804	Chamorro Home Development Fund
Fund 805	Chamorro Education Assistance Fund
Fund 806	Chamorro Loan Guarantee

Cause: There appears to be weak internal controls over ensuring that accounts are monitored and that inactive accounts are addressed.

Effect: There is no known material effect on the financial statements as a result of this condition. However, there appears to be weak controls over ensuring that funds remain active.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-81 – Special Revenue Funds, Trust Funds and Enterprise Funds, 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 forward a listing of such inactive funds to the Guam Legislature for review to evaluate whether such funds may be revoked by legislative action.

Auditee Response: The auditee has not responded.

Finding Number 2000-82 – Appropriations

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 \$5,165,350 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 continuing appropriations balance could be misstated.

Recommendation: The Division of Accounts should prepare and maintain detailed schedules of items comprising the General Fund continuing appropriations account.

Auditee Response: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.

Finding Number 2000-83 – Encumbrances

Criteria: Encumbrances should be properly substantiated with such supporting documents as contracts.

Condition: The new financial management system was able to generate a detailed transaction report, but supporting contracts could not be obtained for 18 of 54 samples.

Cause: There appears to be weak recordkeeping controls.

Effect: The recorded encumbrances total could be misstated.

Recommendation: The Division of Accounts should strengthen recordkeeping controls to ensure that detailed supporting documentation for encumbrance transactions are maintained on file to substantiate encumbrances.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-84 – Journal Vouchers

Criteria: All journal vouchers that are used to update transactions in the system should be properly reviewed and authorized by the controller and signed to evidence such review and approval.

Condition: Out of a total ninety-eight post-closing adjustments, forty-one (or 42%) were posted, but did not have any authorized signature by the controller or manager signifying a review.

Cause: There appears to be weak internal controls over ensuring that only reviewed and approved journal vouchers are posted.

Effect: There is no known effect on the financial statements as a result of this condition. However, there is a potential for unauthorized transactions to be posted to the system.

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

Recommendation: All journal vouchers should be reviewed to ensure that they are authorized and should contain the controller’s signature to evidence that such review and authorization has occurred.

Auditee Response: The grantee provided a general response in a letter dated November 30, 2001. Please see attachment.

Finding Number 2000-85 - Appropriations

Criteria: In accordance with the Organic Act, appropriations shall be made by the legislature.

Condition:

1. Through Grant No. INS-GUAM-99-1, the U.S. Department of the Interior provided a total of \$4,440,509 to the Government of Guam in fiscal year 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. Prior to receiving the reimbursement, the Government of Guam provided a breakdown of costs, as follows:

<u>Guam Department/Agency</u>	<u>FY 1999 Costs</u>
Department of Corrections	\$3,411,545
Guam Fire Department	71,157
Guam Police Department	40,470
Guam Memorial Hospital Authority	9,145
Guam Environmental Protection Agency	2,103
Department of Public Health and Social Services	20,082
Guam Airport Authority	20,224
Customs and Quarantine Agency	131,020
Port Police	10,933
Environmental Damage Estimates	723,830
	<u>\$4,440,509</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-85 – Appropriations, Continued

Condition (Continued):

After receiving the reimbursement, the Government of Guam did not return the revenue or reimbursement to Fund 101. Instead, various Fund 201 accounts were established for expenditure of the reimbursement in fiscal year 2000, as follows:

<u>Guam Department/Agency</u>	<u>FY 2000 Expenditures</u>	<u>Funds Authorized</u>
BBMR – Guam Fire Department Uniforms	\$ 119,600	\$ 160,000
BBMR - GFD Emergency Vehicle Parts and Repair	142,590	150,000
BBMR - GMHA Operations	1,000,000	1,000,000
BBMR - BBMR Operations	103	56,500
Civil Service Commission – Operations	43,644	130,000
Department of Revenue and Taxation – Operations	169,396	177,000
Dept. of Administration – Overtime and Capital Outlay	104,733	160,000
Dept. of Administration – Operations	0	50,000
Dept. of Corrections – Department of Corrections Operations	545,386	700,000
Dept. of Youth Affairs - DYA Operations	0	40,000
Office of the Governor - Land Owners Recovery Fund	75,000	75,000
Office of the Governor - Organic Act 50th Anniversary	250,000	250,000
Office of the Governor – Travel	222,534	270,000
Office of the Governor – Operations	<u>833,571</u>	<u>1,115,000</u>
	<u>\$3,506,557</u>	<u>\$ 4,333,500</u>

- Likewise, 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 on September 29, 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. The Government of Guam did not return the revenue or reimbursement to Fund 101. Instead, various Fund 201 accounts were established for expenditure of the reimbursement in fiscal year 2001.

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 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 reimbursement. Of the \$4.4M from Grant No. INS-GUAM-99-1, about \$3.5 was expended in fiscal year 2000 under various accounts in Fund 201; and the \$3.4 from Grant No. INS-GUAM-99-1A was expended and/or obligated in fiscal year 2001 under various accounts in Fund 201. At September 30, 2000, Fund 101 revenues could be understated by about \$7.6M, Fund 201 revenues could be overstated by about \$4.4, and Fund 201 deferred revenues could be overstated by about \$3.2M.

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 November 30, 2001, the auditee provided the following response:

Disagree. Initially the USDOJ fast tracked paying Guam for the costs incurred resulting from the illegal aliens. In order to expedite this process, the reimbursement methodology was used. This was also supported by the Attorney General’s opinion. However, subsequent to this collection, several more payments were received. The intention was to reimburse the line agencies for cost incurred outside of the normal operations that were accounted for previously as this was unforeseen. As the illegal aliens came in more frequently causing more costs to incur outside of the ordinary, it was the intention that a federal grant fund be established prospectively due to Guam the increase and further exposure of this illegal entries into the U.S.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

Finding Number 2000-85 – Appropriations, Continued

Auditors' Response:

If the intention was to reimburse the line agencies for costs incurred outside of the normal operations that were accounted for previously, then expenditure records should indicate that the Department of Corrections (DOC) was paid the bulk of Federal reimbursements. However, such payment to DOC is not evident. Therefore, the finding remains.

Finding Number 2000-86 – Child Support Liability

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

Condition: During fiscal year 2000, a reconciliation was not performed between the cash book balance and the child support liability account, resulting in an unreconciled variance, as follows:

Per cash accounts	\$ 4,992,756
Difference	<u>294,447</u>
Per child support liability account	\$ <u>4,698,309</u>

The following entails the total child support liability account of \$4,698,309:

<u>Fiscal Year End</u>	<u>Liability</u>	<u>Composition of Fiscal Year</u>
1995	\$ 1,014,052	21%
1997	929,513	20%
1996	896,460	19%
2000	740,124	15%
1998	545,736	12%
1991	207,349	5%
Other PY years 1992-1999	<u>365,075</u>	8%
Total	\$ <u>4,698,309</u>	<u>100%</u>

Cause: It appears the grantee lacks internal control policies and procedures to monitor the above accounts.

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: In a letter dated November 30, 2001, the auditee provided the following response:

Agree. The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis further action. The Deputy Controller will be assigned this task.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-87 – Expenditure Testing

Criteria: In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as labor cost distribution reports, timesheets, personnel action forms, and check disbursement files (including check copies, payment requests, vendor invoices, receiving reports, and other attendant support), should be maintained on file to substantiate expenditures.

Condition: For 9 (or 16%) out of 56 payroll transactions, no labor cost distribution reports, timesheets, and/or personnel action forms could be located on file to substantiate the following:

	<u>Account #</u>	<u>CFDA #</u>	<u>Transaction #</u>	<u>Date</u>	<u>Reference #</u>	<u>Amount</u>
1.	0922.1999.201.H.1301.1302.000.0151	15.875	Spreadsheet 24988		LABOR0311	\$ 150,683
2.	6047.1998.201.G.0293.9112.000.0051	83.544	J000662000	04/20/01	LABOR0226	2,500
3.	6271.1998.201.G.1210.9112.000.0151	83.544	J000661743	01/18/01	PPE 01/17/98	73,371
4.	1160.2000.201.B.1728.3102.000.0051	93.558	J000661704	01/17/01		1,553
5.	1160.2000.201.B.1728.3102.000.0051	93.558	J000661704	01/17/01		1,583
6.	0813.1999.201.G.1170.1702.000.0051	93.563	Spreadsheet 40673		LABOR0115	19,525
7.	0816.2000.201.B.1170.1702.000.0051	93.563	Spreadsheet 41002		LABOR0520	33,310
8.	0813.1999.201.G.1170.1702.000.0051	93.563	Spreadsheet 41002		LABOR0520	20,186
9.	0816.2000.201.B.1170.1702.000.0051	93.563	Spreadsheet 22356		LABOR1231	<u>31,642</u>
	Total Questioned Costs					\$ <u>334,353</u>

For 21 (or 8%) out of 275 non-payroll transactions, no check disbursement file (including check copies, payment requests, vendor invoices, receiving reports, and other attendant support) could be located on file to substantiate the following:

	<u>Account #</u>	<u>CFDA #</u>	<u>Date</u>	<u>Reference #</u>	<u>Amount</u>
1.	0036.1998.201.H.0298.0101.000.0251	84.186	09/01/00	J000662087	\$ 17,612
2.	1160.2000.201.B.1728.3102.000.0754	93.558	11/18/99	D001751012	1,209
3.	1160.2000.201.B.1728.3102.000.0754	93.558	04/01/00	J000610848	119,840
4.	1160.2000.201.B.1728.3102.000.0754	93.558	12/01/99	J000610854	39,642
5.	0816.2000.201.B.1170.1702.000.0303	93.563	11/29/00	C000600200H	24,675
6.	0816.2000.201.B.1170.1702.000.0303	93.563	10/01/99	CJE: 55482, LINE 2400	53,001
7.	0816.2000.201.B.1170.1702.000.0303	93.563	11/01/99	CJE: 55482, LINE 5200	53,001
8.	1150.1999.201.H.1732.3109.000.0754	93.575	01/18/00	D001753856	960
9.	1150.2000.201.H.1726.3109.000.0754	93.575	08/22/00	D001763385	1,470
10.	1150.2000.201.H.1726.3109.000.0754	93.575	06/01/00	CJE: 55482, LINE 55530	224,818
11.	1156.2000.201.B.1727.3104.000.0754	93.778	01/12/00	D00MCSPR04	51,286
12.	1156.2000.201.B.1727.3104.000.0754	93.778	05/12/00	D001768076	295,183
13.	1156.2000.201.B.1727.3104.000.0754	93.778	08/02/00	D001768485	38,380
14.	1156.2000.201.B.1727.3104.000.0754	93.778	01/01/00	CJE: 55482, LINE 170	728,605
15.	1156.2000.201.B.1727.3104.000.0754	93.778	06/01/00	CJE: 55482, LINE 33150	931,759
16.	0089.2000.201.E.0206.0101.000.0251	NA	07/06/00	D000200641A	250,000
17.	0090.2000.201.E.0201.0101.000.0201	NA	08/11/00	D002000229	25,000
18.	0091.2000.201.E.0201.0101.000.0451	NA	02/23/01	E000210001M	19,742
19.	0106.2000.201.E.0401.9991.000.0754	NA	06/01/00	CJE: 55482, LINE 1980	250,000
20.	0924.2000.201.E.1301.1301.000.0251	NA	06/01/00	CJE: 55482, LINE 3690	400,964
21.	2737.2000.201.E.4201.1201.000.0754	NA	05/02/00		<u>400</u>
	Total Unsupported Costs				3,527,547
	Less Total Non-Federal Costs				<u>946,106</u>
	Total Questioned Costs				<u>\$2,581,441</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding Number 2000-87 – Expenditure Testing, Continued

Cause: There appears to be weak recordkeeping controls.

Effect: Expenditures could be misstated. A questioned cost of \$2,915,794 exists.

Recommendation: The Department of Administration should strengthen recordkeeping controls to ensure that such documents as payroll registers, timesheets, personnel action forms, and check disbursement files (including check copies, payment requests, vendor invoices, receiving reports, and other attendant support) are maintained on file to substantiate payroll costs.

Auditee Response and Corrective Action Plan: In a letter dated November 30, 2001, the auditee provided a general response. See attachment.

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 2000

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 Year Ended September 30, 2000

	<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 97	\$ 58,774	\$ 58,774	\$ -
Unresolved Questioned Costs FY 98	7,290,244	4,491,092	2,799,152
Unresolved Questioned Costs FY 99	<u>25,472,387</u>	<u>-</u>	<u>25,472,387</u>
	\$ <u>32,821,405</u>	\$ <u>4,549,866</u>	28,271,539
Add Questioned Costs for FY 2000			<u>10,062,663</u>
Total Unresolved Questioned Costs at September 30, 2000			\$ <u>38,334,202</u>



Carl T.C. Gutierrez

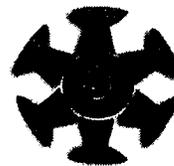
Governor

Madeleine Z. Bordallo

Lieutenant Governor

Department of Administration
(DIPATTAMENTON ATEMENSTRASION)
DIRECTOR'S OFFICE

Post Office Box 884 Hagatña, Guam 96932
Tel: (671) 475-1101/1250 Fax: (671) 477-6788



Clifford A. Guzman

Acting Director

November 30, 2001

Mr. Daniel Fitzgerald
Audit Partner
Deloitte Touche & Tohmatsu
361 South Marine Drive
Tamuning, Guam 96911

**Re: Response to Schedule of Findings and Questioned Costs -
Year Ended September 30, 2000**

Dear Mr. Fitzgerald:

Hafa Adai!

Transmitted herewith are our responses and corrective action plans for the Findings and Questioned Costs for Fiscal Year Ended September 30, 2000.

If you require additional information or clarification, please do not hesitate to contact the Department of Administration, Division of Accounts, Controller, Mrs. Arleen U. Pierce at 475-1169/1232.

Si Yu'os Ma'ase!


DANIEL P. ASTORGA
Acting Director

Enclosures

cc: Director, Bureau of Budget and Management Research

General Responses to all findings related to the Fiscal Year Ended September 30, 2000:

During the first quarter of the fiscal year ended, the Department of Administration, Division of Accounts, launched the new Financial Management System (FMS) utilizing Oracle software application. Our legacy system was the Budget and Accounting Information System (BACIS) software that was used since the early 1970's in the IBM 4381 mainframe and then migrated into the AS400 platform during 1997. This major project was implemented in phases and prioritized as to which modules were determined to be mission critical. Moreover, the need for re-engineering and upgrading the business processes were already documented but needed a further evaluation. The next step included testing the system to determine acceptance of the workflow and the expected output. Followed by the data population of transactions that needed to be converted from the legacy to the FMS. Reviewing and determining the validity of each transaction was both a huge and tedious chore. Training was then conducted to all staff at various levels prior to the live run.

During the fiscal year, the Department of Administration encountered several hardware problems that led to major downtime. These hardware problems resulted from a defective component within the hardware unit. In addition, qualified computer experts including but not limited to in-house and external parties were lacking on Island. However, during the third quarter, two (2) additional computer specialists were hired. The hardware issues were resolved and as a result, back up storage of data entries were made frequently and was also upgraded accordingly.

During this quarter, the Early Out Program became effective. As a result, ten (10) senior employees within the Division of Accounts exercised this favorable option. Similarly, employees within the Data Processing Division also opted for this generous offer. Only after December 31, 1999 was the effect of the early out program felt. The negative effect of having to do more work with lesser people was difficult.

Moreover, due to our budget shortfalls, overtime funding was limited and was prioritized as to what task is critical. Staff members were cross-trained and were given work assignments with an aggressive timeline. This led to employee burnout from long hard hours and demanding datelines. These all compounded to the existing stress of the new FMS system implemented. In addition, employee turnover from the Division also increased. A total of four (4) Accountants separated from the Division; two (2) General Accounting Supervisors transferred to another department, and two (2) Accountants (I & II levels) left the Island to pursue their careers. During the end of the third quarter of the fiscal year, two (2) former employees in the Accounting series were reinstated which resulted positively to the Division. No additional hires occurred due to the tight budget. However, employees from various agencies were detailed to the Division of Accounts. While this was proved beneficial, the Division still lacked Accounting professionals.

While the Division of Accounts, maintained the accounting functions for the thirty-eight (38) line agencies, with only fifty-five (55) employees (including the payroll section), the Division met its major objectives under these unusual circumstances.

Territorial Highway Fund - Responses to Findings:

<u>Finding Number(s):</u>	<u>Response</u>	<u>Comments</u>
00-01 00-02 00-03 00-06 00-07 00-08 00-09	Agree	The Division of Accounts will perform corrective actions, prospectively. As of this period, however, the Division had a staff shortage issued and implemented a new financial management system. The corrective actions will include periodic reviews, reconciliation and proper records management. This task has been assigned to the Deputy Controller.
00-04	Agree	This is the same issue as prior year. The Treasurer of Guam is currently working on resolving this matter during this fiscal year as a result of the AS400 implementation.
00-10		We are unable to provide a response to this finding, as we are currently reviewing this matter.
00-09	Agree	This finding was also noted in the prior year. The Controller will assist the Department of Revenue and Taxation in correcting this matter.

Responses to Specific Areas of Findings:

<u>Finding Item(s):</u>	<u>Response</u>	<u>Comments</u>
Cash and Bank Reconciliation	Agree	The Division of Accounts will perform corrective actions, prospectively. This task will be assigned to the Deputy Controller. Please note however, that a systems programming problem occurred and is currently being addressed. The bank information has successfully interfaced into our financial management system. However, the electronic match between each information system is problematic. In addition, during this period, staff shortages in both the Division of Accounts and Data Processing occurred.
Tax Receivables, Deferred Taxes and Rebates	Agree	Finding was the same as in the prior year. The Division of Accounts will perform periodic reconciliation with the subsidiary ledgers of the Department of Revenue & Taxation. This task will be assigned to the Deputy Controller. However, regarding the income tax reserve calculations a formula was derived however, due to the critical cash crises, the reserve was based upon availability.
Water Bond	Disagree	The Water Bond is currently being treated as a limited obligation. An opinion from our bond counsel can clarify this matter. A copy of the opinion is pending from GEDA.

<u>Finding Item(s):</u>	<u>Response</u>	<u>Comments</u>
Outstanding Obligations	Agree	Finding was the same as in the prior year. The Division of Accounts will review and forward all outstanding encumbrances over three (3) years old to BBMR for further action.
Accounts Receivable, Accounts Payable, and General Ledger Accounts (Revenues & Expenditures)	Agree	The Division of Accounts will perform periodic reconciliation with the subsidiary ledger and determine the aging analysis for further action. The Deputy Controller will be assigned this task.
Fixed Assets	Agree	Findings were also from the prior year. However, GASB 34 requires DOA to implement during Fiscal Year 2002. The Controller is assigned to this task and will launch by January 2002.

Responses to Single Audit:

<u>Finding Item(s):</u>	<u>Response</u>	<u>Comments</u>
2000-03: Cash Management	Disagree	Cash advances that were based from the prior year's finding, have been properly disbursed according to their respective grant application. This condition resulted from a lack of reconciliation and recording on the accounting system. The Federal Grants module was the last module implemented. However, due to staff shortages, (the General Accounting Supervisor transferred to another Agency) and two (2) Accountants (one retired and one went Off-Island) this matter was unresolved as of the audit field work. This task will be assigned to the Deputy Controller for resolution. The reconciliation of the subsidiary ledgers are currently being addressed.
2000-04: INS	Disagree	Initially the USDOJ fast tracked paying Guam for the costs incurred resulting from the illegal aliens. In order to expedite this process, the reimbursement methodology was used. This was also supported by the Attorney General's opinion. However, subsequent to this collection, several more payments were received. The intention was to reimburse the line agencies for cost incurred outside of the normal operations that were unaccounted for previously as this was unforeseen. As the illegal aliens came in more frequently causing more costs to incur outside of the ordinary, it was the intention that a federal grant fund be established prospectively due to Guam the increase and further exposure of this illegal entries into the United States.
2000-05: DOE	Agree	Department of Education operates their own accounting functions and is currently soliciting an audit firm to comply with this finding.