

**GOVERNMENT OF GUAM**

---

**SINGLE AUDIT REPORTS**

---

**YEAR ENDED SEPTEMBER 30, 2016**

# GOVERNMENT OF GUAM

## SINGLE AUDIT REPORTS YEAR ENDED SEPTEMBER 30, 2016

### C O N T E N T S

	<u>PAGE</u>
Part I. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Part II. Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	7
U.S. Department of Agriculture	8
U.S. Department of Commerce	8
U.S. Department of Defense	8
U.S. Department of Housing and Urban Development	8
U.S. Department of the Interior	9
U.S. Department of Justice	9
U.S. Department of Labor	10
U.S. Department of Transportation	10
National Foundation on the Arts and the Humanities	10
U.S. Environmental Protection Agency	11
U.S. Department of Energy	11
U.S. Department of Education	11
U.S. Department of Health and Human Services	11
Corporation for National and Community Service	13
U.S. Department of Homeland Security	13
Notes to Schedule of Expenditures of Federal Awards	14
Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements	16
Schedule of Findings and Questioned Costs	17
Part IV. Summary of Unresolved and Resolved Questioned Costs	35
Corrective Action Plan	36

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Eddie Baza Calvo  
Governor  
Government of Guam:

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 6, 2017. Our report includes a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the Retirement Fund. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Chamorro Land Trust Commission, Guam Ancestral Lands Commission, Guam Community College, the Guam Department of Education, the Guam Economic Development Authority, the Guam Educational Telecommunications Corporation, the Guam Memorial Hospital Authority, the Guam Power Authority, the Guam Visitors Bureau, the Guam Waterworks Authority, the Port Authority of Guam, the Solid Waste Operations Fund, the Guam Highway Fund, the Tourist Attraction Fund, and the University of Guam, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust. The findings, if any, included in those reports are not included herein.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GovGuam's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-009, that we consider to be significant deficiencies.

## Compliance and Other Matters

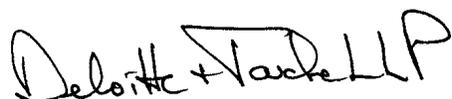
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## GovGuam's Responses to Findings

GovGuam's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 6, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Eddie Baza Calvo  
Governor  
Government of Guam:

### **Report on Compliance for Each Major Federal Program**

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2016. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2016. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of GovGuam's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 GovGuam'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 on compliance for each major federal program. However, our audit does not provide a legal determination of GovGuam's compliance.

***Basis for Qualified Opinion on Certain Major Federal Programs***

As described in Findings 2016-003, 2016-005, 2016-006, 2016-007, and 2016-009 in the accompanying Schedule of Findings and Questioned Costs, GovGuam did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2016-003	15.875	Economic, Social and Political Development of the Territories	Subrecipient Monitoring
2016-009	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2016-009	20.205	Highway Planning and Construction	Equipment and Real Property Management
2016-005	93.224	Health Center Program	Program Income
2016-006	93.224	Health Center Program	Reporting
2016-007	93.243	Substance Abuse and Mental Health Services	Procurement and Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with the requirements applicable to those programs.

***Qualified Opinion on Certain Major Federal Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 15.875 Economic, Social and Political Development of the Territories, CFDA 20.205 Highway Planning and Construction, CFDA 93.224 Health Center Program, and CFDA 93.243 Substance Abuse and Mental Health Services for the year ended September 30, 2016.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2016-004, and 2016-008. Our opinion on each major federal program is not modified with respect to these matters.

GovGuam's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GovGuam's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-005, 2016-006, 2016-007, and 2016-009 to be material weaknesses.

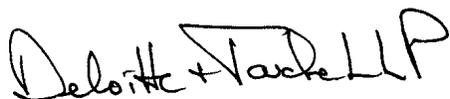
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as items 2016-001, 2016-002, 2016-004, and 2016-008 to be significant deficiencies.

GovGuam's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 6, 2017, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the Retirement Fund. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

June 6, 2017

**GOVERNMENT OF GUAM**

Summary of Schedule of Expenditures of Federal Awards, by Grantor  
Year Ended September 30, 2016

<u>Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 118,817,789
U.S. Department of Commerce	1,684,650
U.S. Department of Defense	4,049,358
U.S. Department of Housing and Urban Development	201,364
U.S. Department of the Interior	28,515,525
U.S. Department of Justice	3,574,005
U.S. Department of Labor	7,334,837
U.S. Department of Transportation	19,802,422
National Foundation on the Arts and the Humanities	405,446
U.S. Environmental Protection Agency	3,018,884
U.S. Department of Energy	366,034
U.S. Department of Education	1,878,648
U.S. Department of Health and Human Services	105,356,316
Corporation for National and Community Service	1,207,741
U.S. Department of Homeland Security	<u>2,609,717</u>
 GRAND TOTAL	 \$ <u>298,822,736</u>

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

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal Expenditures</u>	<u>Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF AGRICULTURE		
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program (SNAP)	\$ 106,942,262	
10.561	State Administrative Matching Grants for the SNAP	<u>1,710,185</u>	\$ 99,838
	Subtotal SNAP Cluster	108,652,447	99,838
10.025	Plant and Animal Disease, Pest Control, and Animal Care	100,015	
10.170	Specialty Crop Block Grant Program-Farm Bill	175,389	175,389
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	9,691,866	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	50,238	
10.579	Child Nutrition Discretionary Grants Limited Availability	13,482	13,482
10.664	Cooperative Forestry Assistance	<u>134,352</u>	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 118,817,789</u>	<u>\$ 288,709</u>
	U.S. DEPARTMENT OF COMMERCE		
11.407	Interjurisdictional Fisheries Act of 1986	\$ 11,260	
11.419	Coastal Zone Management Administration Awards	729,829	
11.437	Pacific Fisheries Data Program	80,477	
11.441	Regional Fishery Management Councils	-	
11.454	Unallied Management Projects	20,926	
11.467	Meteorologic and Hydrologic Modernization Development	210,737	
11.482	Coral Reef Conservation Program	531,262	\$ 354,707
11.549	State and Local Implementation Grant Program	<u>100,159</u>	
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 1,684,650</u>	<u>\$ 354,707</u>
	U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 165,976	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,999,796	
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	<u>883,586</u>	
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 4,049,358</u>	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.235	Supportive Housing Program	\$ 201,364	\$ 201,364
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	<u>-</u>	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 201,364</u>	<u>\$ 201,364</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	\$ 1,200,445	
15.611	Wildlife Restoration and Basic Hunter Education	596,915	
	Subtotal Fish and Wildlife Cluster	<u>1,797,360</u>	
15.615	Cooperative Endangered Species Conservation Fund	330,082	
15.616	Clean Vessel Act	57,919	\$ 57,919
15.622	Sportsfishing and Boating Safety Act	23,953	
15.634	State Wildlife Grants	136,915	
15.808	U.S. Geological Survey-Research and Data Acquisition	-	
15.875	Economic, Social, and Political Development of the Territories	25,849,168	12,237,689
15.904	Historic Preservation Fund Grants-In-Aid	196,348	
15.916	Outdoor Recreation Acquisition, Development and Planning	123,780	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 28,515,525</u>	<u>\$ 12,295,608</u>
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	\$ 30,058	\$ 28,026
16.523	Juvenile Accountability Block Grants	497	497
16.527	Supervised Visitation, Safe Havens for Children	133,471	89,008
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	20,114	
16.554	National Criminal History Improvement Program (NCHIP)	205,419	
16.575	Crime Victim Assistance	380,179	74,111
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	57,530	
16.585	Drug Court Discretionary Grant Program	154,905	
16.588	Violence Against Women Formula Grants	528,974	405,839
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	5,674	
16.593	Residential Substance Abuse Treatment for State Prisoners	91,134	82,940
16.606	State Criminal Alien Assistance Program	362,422	
16.609	Project Safe Neighborhoods	-	
16.710	Public Safety Partnership and Community Policing Grants	278,123	
16.727	Enforcing Underage Drinking Laws Program	84,193	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	616,256	482,762
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	98,492	92,717
16.750	Support for Adam Walsh Act Implementation Grant Program	449,528	147,350
16.751	Edward Byrne Memorial Competitive Grant Program	31,034	31,034
16.812	Second Chance Act Reentry Initiative	35,899	
16.816	John R. Justice Prosecutors and Defenders Incentive Act	10,103	
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 3,574,005</u>	<u>\$ 1,434,284</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. DEPARTMENT OF LABOR			
Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities	\$ 384,148	
17.801	Disabled Veterans' Outreach Program (DVOP)	<u>109,718</u>	
	Subtotal Employment Service Cluster	493,866	
WIA Cluster:			
17.258	WIA/WIOA Adult Program	1,134,278	
17.259	WIA/WIOA Youth Activities	227,123	
17.278	WIA/WIOA Dislocated Worker Formula Grant	<u>1,579,625</u>	
	Subtotal WIA Cluster	2,941,026	
17.002	Labor Force Statistics	67,843	
17.005	Compensation and Working Conditions	45,737	
17.235	Senior Community Service Employment Program	955,386	
17.273	Temporary Labor Certification for Foreign Workers	54,590	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,500,639	
17.285	Apprenticeship USA Grants	12,131	
17.504	Consultation Agreements	<u>263,619</u>	
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 7,334,837</u>	
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Safety Cluster:			
20.600	State and Community Highway Safety	\$ 605,644	
20.616	National Priority Safety Program	<u>392,917</u>	
	Subtotal Highway Safety Cluster	<u>998,561</u>	
20.205	Highway Planning and Construction	15,464,254	
20.218	National Motor Carrier Safety	283,623	
20.500	Federal Transit_Capital Investment Grants	724,245	
20.509	Formula Grants for Rural Areas	2,242,934	
20.600	State and Community Highway Safety	605,644	
20.616	National Priority Safety Programs	392,917	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	<u>88,805</u>	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 19,802,422</u>	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts-Partnership Agreements	\$ 286,506	\$ 140,999
45.310	Grants to States	<u>118,940</u>	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 405,446</u>	<u>\$ 140,999</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.600	Environmental Protection Consolidated Grants for the Insular Areas- Program Support	\$ 2,967,115	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	<u>51,769</u>	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 3,018,884</u>	
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 208,117	
81.042	Weatherization Assistance for Low-Income Persons	<u>157,917</u>	
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 366,034</u>	
	U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 1,835,772	
84.169	Independent Living-State Grants	14,633	
84.177	Rehab Services-Independent Living Services for Older Individuals Who are Blind	-	
84.187	Supported Employment Svcs for Individuals with the Most Significant Disabilities	<u>28,243</u>	
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 1,878,648</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Aging Cluster:		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	\$ 516,582	
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	1,355,637	
93.053	Nutrition Services Incentive Program	<u>405,480</u>	
	Subtotal Aging Cluster	2,277,699	
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	13,884	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	40,632	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	64,326	\$ 64,326
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	131,909	
93.052	National Family Caregiver Support, Title III, Part E	387,867	
93.069	Public Health Emergency Preparedness	121,400	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	<u>769,932</u>	
	BALANCE FORWARD	<u>\$ 3,807,649</u>	<u>\$ 64,326</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 3,807,649	\$ 64,326
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	163,333	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	114,612	
93.110	Maternal and Child Health Federal Consolidated Programs	44,095	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	776,591	
93.127	Emergency Medical Services for Children	128,014	
93.136	Injury Prevention and Control Research and State and Community Based Program	38,126	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	47,969	
93.217	Family Planning-Services	139,771	
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	4,624,704	
93.235	Affordable Care Act (ACA) Abstinence Education Program	8,503	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	3,190,780	127,164
93.268	Immunization Cooperative Agreements	1,119,526	15,000
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	520,918	
93.292	National Public Health Improvement Initiative	-	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	121,039	
93.324	State Health Insurance Assistance Program	69,813	
93.336	Behavioral Risk Factor Surveillance System	187,895	
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	900,064	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information System Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infections Program	275,463	
93.558	Temporary Assistance for Needy Families	2,822,407	
93.560	Family Support Payments to States Assistance Payments	472,561	
93.563	Child Support Enforcement	4,666,775	
93.575	Child Care and Development Block Grant	4,524,592	
93.597	Grants to States for Access and Visitation Programs	1,071	
93.617	Voting Access for Individual with Disabilities Grants to States	-	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	264,258	
93.667	Social Services Block Grant	3,172,998	
93.735	State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	58,401	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	(6,372)	
93.767	Children's Health Insurance Program	25,845,985	
	BALANCE FORWARD	\$ 58,101,541	\$ 206,490

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 58,101,541	\$ 206,490
93.778	Medical Assistance Program	44,593,558	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	34,215	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	51,910	
93.917	HIV Care Formula Grants	262,957	
93.945	Assistance Program for Chronic Disease Prevention and Control	322,684	
93.958	Block Grants for Community Mental Health Services	241,366	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	970,206	
93.988	Cooperative Agreements for State-Based Diabetes Control Program and Evaluation of Surveillance System	-	
93.991	Preventive Health and Health Services Block Grant	255,015	
93.994	Maternal and Child Health Services Block Grant to the States	522,864	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 105,356,316</u>	<u>\$ 206,490</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 237,543	
94.006	AmeriCorps	969,217	\$ 969,217
94.009	Training and Technical Assistance	981	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,207,741</u>	<u>\$ 969,217</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	\$ 528,903	
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	274,731	
97.042	Emergency Management Performance Grants	861,476	
97.047	Pre-Disaster Mitigation	121,408	
97.067	Homeland Security Grant Program	823,199	
97.089	Driver's License Security Grant Program	-	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 2,609,717</u>	
	TOTAL FEDERAL AWARDS	<u>\$ 298,822,736</u>	<u>\$ 15,891,378</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

1. Scope of Audit

The Government of Guam (GovGuam) 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.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GovGuam under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of GovGuam, it is not intended to and does not present the financial positions or changes in financial positions of GovGuam.

3. Summary of Significant Accounting Policies

a. Basis of Accounting:

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported 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 Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. GovGuam does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam's reporting entity is defined in Note 1A to its September 30, 2016 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2016.

**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

3. Summary of Significant Accounting Policies, Continued

The federal award totals for the excluded departments and component units as of September 30, 2016, are as follows:

<u>Department or Component Unit</u>	<u>Federal Award Total</u>
Antonio B. Won Pat International Airport Authority	\$ 14,601,826
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 15,118,764
Guam Department of Education	\$ 64,349,925
Guam Economic Development Authority	\$ -
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 45,064,796
Guam Housing Corporation	\$ -
Guam Memorial Hospital Authority	\$ 2,811,125
Guam Power Authority	\$ 1,367,584
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ 80,000
Guam Waterworks Authority	\$ 5,488,863
Port Authority of Guam	\$ 18,221,446
University of Guam	\$ 28,843,093

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.

c. Cost Allocation:

The Government of Guam has a plan for the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2016 federal awards programs are based on 2016 actual expenditures and caseloads.

d. Matching Costs:

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

4. Noncash Awards

Certain federal award programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2016, the Government of Guam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	\$ <u>106,942,262</u>
Total SNAP EBT payments reported on the Schedule	
of Expenditures of Federal Awards	\$ <u>106,942,262</u>

**GOVERNMENT OF GUAM**

Reconciliation of Schedule of Expenditures of Federal Awards to  
Basic Financial Statements  
Year Ended September 30, 2016

	2016 <u>Expenditures</u>
Federal contributions, as reported in the 2016 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 318,992,959
Less local match and contributions	( <u>25,867,768</u> )
Federal expenditures, transfers, and other uses	293,125,191
 <u>CFDA #</u>	
Superior Court of Guam:	
15.875 Economic, Social, and Political Development of the Territories	50,691
16.554 National Criminal History Improvement Program (NCHIP)	205,419
16.585 Drug Court Discretionary Grant Program	154,905
16.750 Support for Adam Walsh Act Implementation Grant Program	302,493
16.812 Second Chance Act Reentry Initiative	35,899
Fund 105 Community Health Centers:	
93.224 Health Centers Program	4,624,704
Variance	<u>323,434</u>
Total Federal Expenditures Subject to Audit	\$ <u>298,822,736</u>

**GOVERNMENT OF GUAM**

---

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**YEAR ENDED SEPTEMBER 30, 2016**

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs Year Ended September 30, 2016

#### Section I - Summary of Auditors' Results

##### *Financial Statements*

1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

2. Material weakness(es) identified? No  
3. Significant deficiency(ies) identified? Yes  
4. Noncompliance material to financial statements noted? No

##### *Federal Awards*

Internal control over major federal programs:

5. Material weakness(es) identified? Yes  
6. Significant deficiency(ies) identified? Yes  
7. Type of auditors' report issued on compliance for major federal programs:  
CFDA # 15.875 Qualified  
CFDA # 20.205 Qualified  
CFDA # 93.224 Qualified  
CFDA # 93.243 Qualified  
All other major programs Unmodified  
8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes  
9. Identification of major federal programs:

<u>CFDA</u>	
<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.551	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP)
10.561	SNAP Cluster: State Administrative Matching Grants for the SNAP
15.875	Economic, Social and Political Development of the Territories
20.205	Highway Planning and Construction
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance
93.563	Child Support Enforcement
93.778	Medical Assistance Program
94.006	AmeriCorps

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

**Section I - Summary of Auditors' Results, Continued**

10. Dollar threshold used to distinguish between Type A and Type B Programs:	\$3,000,000
11. Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2016-009	Capital Assets	\$ -

**Section III - Federal Award Findings and Questioned Costs**

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2016-001	10.551/10.561	Special Tests and Provisions – EBT Reconciliation	\$ -
2016-002	15.875	Procurement and Suspension and Debarment	63,385
2016-003	15.875	Subrecipient Monitoring	-
2016-009	15.875	Equipment Management	-
2016-009	20.205	Equipment Management	-
2016-004	93.224	Procurement and Suspension and Debarment	966
2016-005	93.224	Program Income	-
2016-006	93.224	Reporting	-
2016-007	93.243	Procurement and Suspension and Debarment	204,110
2016-008	93.778	Eligibility	<u>163,595</u>
Total Federal Questioned Costs			\$ <u>432,056</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-001  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.551/10.561 SNAP Cluster  
Federal Award No.: 2016 7GU400GU4  
Area: Special Tests and Provisions – EBT Reconciliation  
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and electronic benefits transfer (EBT) contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor.

Condition:

No schedules or reports were provided to demonstrate the performance of daily reconciliations.

Cause:

Government of Guam management did not effectively monitor compliance with EBT reconciliation requirements.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements for the EBT reconciliation. A potential misstatement of federal expenditures within the Schedule of Expenditures of Federal Awards and basic financial statements or related disclosures could exist undetected and uncorrected. No questioned cost is presented as ending year balances between the State and the EBT contractor are reconciled.

Identification as a Repeat Finding: Finding 2015-001

Recommendation:

Government of Guam management should more closely monitor the reconciliation process so that the required daily reconciliation is completed in accordance with applicable special tests and provisions requirements.

Views of Auditee and Corrective Action Plan:

The Government of Guam disagrees that there is no daily reconciliation done on EBT for the reason that worksheets and other documents were provided.

See full response in the Corrective Action Plan.

Auditor Response:

We have read email correspondence between the Government of Guam and the grantor dated in April 2017, indicating that reconciliations are based on monthly totals and that additional procedures must be performed by the Government of Guam in order for FNS (Food and Nutrition Service) to be satisfied with Guam's reconciliation.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-002  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$63,385

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, the following procurement regulations apply:

1. Sole source procurement may be used, provided that the responsible procurement authority determines in writing that there is only one source for the required supply, service, or construction item.
2. A complete record of each procurement shall be maintained, including the invitation for bid, the bid packages received, and a record showing the basis for determining the successful bidder, who should be the lowest responsible and responsive bidder.

Condition:

For 1 (or 3%) of 33 transactions, aggregating \$20.4 million of \$25 million in total non-payroll costs, instead of following competitive sealed bidding procedures, a change order was issued to an existing contractor to build six additional bus stops at locations that were not part of the scope of the existing contract. In essence, sole source procurement was followed. However, the procurement file does not contain a written determination as to why there is only one source for the required bus stops, and the procurement file for the existing contract shows that there had been eight bidders.

<u>Federal</u> <u>Award No.</u>	<u>Transaction</u> <u>No.</u>	<u>Date</u>	<u>Vendor</u> <u>No.</u>	<u>Prior</u> <u>Reference</u>	<u>Amount</u> <u>Tested</u>	<u>FY 2016</u> <u>Expenditures</u>
D15AF00038	0609639	07/07/16	G1066001	C160600400	\$ 34,725	\$63,385

Cause:

The Government of Guam did not enforce compliance with applicable procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement regulations, and a questioned cost of \$63,385 exists.

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement and suspension and debarment requirements and should provide the requested procurement files that demonstrate compliance.

Views of Auditee and Corrective Action Plan:

The Government of Guam describes corrective action in the Corrective Action Plan.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-003  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social and Political Development of the Territories  
Area: Subrecipient Monitoring  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable subrecipient monitoring requirements, the pass-through entity must issue a management decision for audit findings that relate to Federal awards it makes to subrecipients and must do so within six months upon receipt of the subrecipient's audit report.

#### Condition:

For one or (33%) of three subrecipients tested, aggregating \$11 million of \$12.2 million in total amounts passed through to subrecipients in FY 2016, evidence of the required management decision was not provided. The subrecipient's FY 2014 audit report was received on June 29, 2015, and contained two audit findings and questioned costs of \$224,477, as well as prior audit findings from 2008 through 2013 with total questioned costs of \$1,799,360 related to CFDA 15.875. The resulting management decision was due in December 2015. Per the FY 2015 audit report issued on June 27, 2016, all \$2,023,837 in questioned costs from prior findings were considered resolved because all of the following occurred:

- (1) Two years have passed since the audit report in which the finding occurred was submitted.
- (2) The pass through entity is not following up with the auditee on the audit finding; and
- (3) A management decision was not issued.

No questioned cost is presented as the subrecipient's FY 2016 audit report shows that CFDA 15.875 was audited as a major program, and no matters were reported, which appears to be an indication that corrective action is being enforced.

#### Cause:

The Government of Guam did not enforce compliance with applicable subrecipient monitoring requirements.

#### Effect:

The Government of Guam is in noncompliance with applicable subrecipient monitoring requirements.

#### Recommendation:

As soon as a subrecipient's audit report is received, the responsible personnel should identify whether findings exist, and if so, the responsible personnel should document the resulting management decision and subsequent efforts to effect corrective action from the subrecipient.

#### Views of Auditee and Corrective Action Plan:

The Government of Guam describes corrective action in the Corrective Action Plan.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-004  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program  
Federal Award No.: 6 H80CS02468-32-06  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$966

Criteria:

In accordance with applicable procurement requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, the following procurement regulations apply:

1. Procurement requirements shall not be artificially divided to avoid using the other source selection methods. The small purchases method is established for procurement of less than \$15,000.
2. A complete record of each procurement shall be maintained, including the invitation for bid, the bid packages received, and a record showing the basis for determining the successful bidder, who should be the lowest responsible and responsive bidder.

Condition:

For 1 (or 6%) of 17 transactions, aggregating \$310,504 of \$576,931 in total non-payroll costs, procurement requirements appear to have been artificially divided to avoid using the competitive sealed bidding method. The small purchases method was applied for the procurement of the same health claim forms from the same contractor twice within 70 days in the amount of \$14,993 each time.

<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>Amount Tested</u>	<u>FY 2016 Expenditures</u>
0605123	04/14/16	I0096537	P166A02944	\$14,993	\$29,987

Based on an assessment of prevailing prices for the health claim forms, it would appear that the required, more competitive process could have resulted in savings of at least \$483 per transaction, or \$966 for both transactions. As the Government of Guam did attempt a form of competition in the selection of the contractor, the questioned cost is calculated to be the potential lost savings of \$966.

Cause:

The Government of Guam did not enforce compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements, and a questioned cost of \$966 exists.

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement requirements.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-004, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program  
Federal Award No.: 6 H80CS02468-32-06  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$966

Views of Auditee and Corrective Action Plan:

The Government of Guam disagrees with the finding for the reason that GSA (General Services Agency) was never informed that there would be two separate orders for the forms.

See full response in the Corrective Action Plan.

Auditor Response:

Oversights in communications do not change the procurement regulations.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-005  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program  
Federal Award No.: H80CS02468  
Area: Program Income  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable program income requirements, health centers must have a schedule of fees for the provision of their health services consistent with locally prevailing rates or charges and designed to cover their reasonable costs.

Program income for this program must be deducted from total allowable costs to determine the net allowable costs and must be used for current costs.

#### Condition:

1. The fee schedule used in FY 2016 is based on 2004 rates. Due to the inconsistency with locally prevailing rates, at least \$1.1 million in operating costs are not billed. In February 2016 and periodically thereafter, a fee schedule with locally prevailing rates was presented to the Board for approval, and the Board approved the fee schedule in December 2016. However, despite efforts by the Program to update its schedule of fees, as required, the updated fee schedule cannot take effect until it is approved by the Guam Legislature. Therefore, until such legislative approval occurs, program will continue using the outdated 2004 rates.
2. As of September 30, 2016, the program has a cash balance of \$7.2 million and a fund balance of \$6.6 million. Excess program income has been accumulating since FY 2010, averaging \$836,000 per year, which indicates that program income is more than sufficient to reimburse operation costs. If the deduction method were applied, net allowable costs for FY 2016 would be \$0.

#### Cause:

1. The Guam Legislature has not approved the updated fee schedule.
2. Guidance over the treatment of program income is not clear. The federal award document states that program income "shall be used in accord with one of the following alternatives: A=Addition B=Deduction C=Cost Sharing or Matching D=Other" and specifies "[D]" for other. However, in an email dated in April 2017, the grantor stated, "(CHC grants follow the alternative deductive method). Please refer to 2 CFR 200.307(e)(2)...." Such reference to the Uniform Guidance on Program Income describes the Addition alternative.

#### Effect:

The Government of Guam may be in noncompliance with applicable program income requirements. A questioned cost is not presented because program income collections are safeguarded in the Program's bank account.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-005, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program  
Federal Award No.: H80CS02468  
Area: Program Income  
Questioned Costs: \$0

Recommendation:

The responsible personnel should seek technical assistance from Health Resources and Services Administration regarding the status of its fee schedule and the treatment of program income.

Views of Auditee and Corrective Action Plan:

The Government of Guam describes corrective action in the Corrective Action Plan.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-006  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.224 Health Center Program  
Federal Award No.: 15H80CS02468  
Area: Reporting  
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, the federal financial report (SF-425) should include all activity of the reporting period.

Condition:

Program income reported in the SF-425 for the year ended March 31, 2016, does not include all activity of the reporting period, as follows:

	<u>Per SF-425</u>	<u>Per AS/400</u>	<u>Underreporting</u>
Total Program Income Earned	\$1,221,701	\$ 3,795,407	\$ 2,573,706)
Program income expended – addition alternative	<u>1,221,701</u>	<u>1,198,025</u>	( 23,676)
Unexpended program income	<u>\$ 0</u>	<u>\$ 2,597,382</u>	<u>\$(2,597,382)</u>

Cause:

Guidance over the reporting of program income is not clear.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements. A questioned cost is not presented because unexpended program income is safeguarded in the Program’s bank account.

Recommendation:

The responsible personnel should seek technical assistance from Health Resources and Services Administration regarding the reporting of program income.

Views of Auditee and Corrective Action Plan:

The Government of Guam describes corrective action in the Corrective Action Plan.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-007  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services\_Projects of Regional and National Significance  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$204,110

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, the following procurement regulations are applicable:

1. Sole source procurement may be used, provided that the responsible procurement authority determines in writing that there is only one source for the required supply, service, or construction item.
2. A complete record of each procurement shall be maintained, including the invitation for bid, the bid packages received, and a record showing the basis for determining the successful bidder, who should be the lowest responsible and responsive bidder.

Condition:

For 9 (or 20%) of 46 transactions, aggregating \$783,447 of \$2.2 million in total non-payroll costs, we noted deficiencies, as follows:

1. For 3 (or 7%), sole source procurement was used; however, no written determination was provide to demonstrate that there is only one source for the required television advertisements, hotel venue, and curriculum training.

<u>Federal Award No.</u>	<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>Amount Tested</u>	<u>FY 2016 Expenditures</u>
5U79SM061227-04	0601715	02/11/16	S0096001	P166A02139	\$ 1,031	\$ 5,375
5U79SP020157-03	0604804	04/19/16	H0826703	P166A02971	\$14,950	14,950
5U79SP020157-03	EFT_102416	09/30/16	F0020078	P166A06677	\$ 4,035	<u>4,035</u>
						<u>\$24,360</u>

2. For 5 (or 11%), no procurement file was provided.

<u>Federal Award No.</u>	<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>Amount Tested</u>	<u>FY 2016 Expenditures</u>
5H79SM061559-02	0608023	06/21/16	U0226001	C150600441	\$52,800	\$ 52,800
5H79SM061559-02	0602334	03/09/16	U0226001	C150600441	\$52,800	52,800
1H79SM061559-01	0597786	12/29/15	G1616001	C150601130	\$64,438	<u>74,150</u>
						<u>\$179,750</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-007, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services\_Projects of Regional and National Significance  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$204,110

Cause:

The Government of Guam did not enforce compliance with applicable procurement regulations.

Effect:

The Government of Guam is in noncompliance with applicable procurement regulations, and a questioned cost of \$204,110 exists.

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement requirements and should provide the requested procurement files that demonstrate compliance.

Views of Auditee and Corrective Action Plan:

Condition 1: The Government of Guam disagrees for the reason that the procurement records contain sole source procurement rationales, such as letters from the selected contractors that they are the sole providers of the supplies or services.

Conditions 2: The Government of Guam describes corrective action in the Corrective Action Plan.

See full response in the Corrective Action Plan.

Auditor Response:

Condition 1: A certification from a selected contractor itself that it is the sole provider of the requested supplies or services is not sufficient to determine that there is no other available source. The cited transactions meet the small purchase threshold, and the required number of quotations should have been solicited and obtained to either allow other potential contractors to participate in the federally funded activities or to substantiate the sole source rationales.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-008  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award No.: 1605GQ5MAP  
Area: Eligibility  
Questioned Costs: \$163,595

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, proof of residency, notice of action, verification of employment forms, and recertification forms should be maintained on file to substantiate eligibility determinations. Furthermore, information should be requested from other agencies in the State and other State and Federal programs in verifying the financial eligibility of an individual.

Condition:

Of 75 case files tested, we noted deficiencies, as follows:

- 1. For one (or 1%), the application was not documented to support the claim.

<u>Case #</u>	<u>Service Date</u>	<u>Claim Amount</u>	<u>FY 2016 Claims Paid</u>
300010803-3	12/22/2015	\$ 4,452	\$ 4,452

- 2. For one (or 1%), the social security card was not on file for a certain household member associated with case number 201400996-6. No questioned cost is presented because the household member is not named as a patient on the claim tested.

- 3. For 3 (or 4%), the case file was not provided for examination:

	<u>Case #</u>	<u>Service Date</u>	<u>Claim Amount</u>	<u>FY 2016 Claims Paid</u>
1	201300254-1	05/04/2015	\$27,700	\$ 76,024
2	330070905-1	08/01/2015	293	185,933
3	201200338-1	09/01/2015	<u>2,843</u>	<u>31,037</u>
			<u>\$30,836</u>	<u>\$292,994</u>

Cause:

The Government of Guam did not effectively manage files containing participant personal data. There is no system in place to track usage and location of participant files.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. Projected questioned costs exceed \$25,000, and known questioned costs of \$163,595 exist, as follows:

Costs Questioned Above	\$ 297,446
X Federal Share	<u>55%</u>
Total Questioned Cost	\$ <u>163,595</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-008, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award No.: 1605GQ5MAP  
Area: Eligibility  
Questioned Costs: \$163,595

Identification as Repeat Finding: 2015-005

Recommendation:

The responsible personnel should implement monitoring and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

Condition 2: The Government of Guam disagrees and provided screenshots of IEVS verification in lieu of a social security card copy.

Condition 3: The Government of Guam describes corrective action in the Corrective Action Plan.

See full response in the Corrective Action Plan.

Auditor Response:

Condition 2: The screenshots provided are for case numbers 201600009 and 300070200, which do not pertain to the cited case number (201400996-6).

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-009  
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
 CFDA Program: 20.205 DOT Highway Planning and Construction  
 Area: Equipment and Real Property Management  
 Area: Capital Assets  
 Questioned Costs: \$0

Criteria:

1. In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.
2. Construction costs should be organized by project to include allocated design, engineering and construction management services applicable to the respective project. Such should be recorded as construction in progress and upon completion, the projects should be transferred and depreciated.
3. Reconciliation with inventory records, capital asset ledgers and the general ledger should be timely performed.
4. Depreciation expense should be calculated consistently through the life of the asset.

Condition:

1. The Government of Guam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed.

We are unable to assess the overall cumulative monetary value of this deficiency. However, the table below summarizes each Government of Guam FY 2016 major program that has a level of total capital outlays over the past five years that is material to the major program.

<u>Program</u> <u>CFDA #s</u>		<u>2016</u> <u>Purchases</u>	<u>2015</u> <u>Purchases</u>	<u>2014</u> <u>Purchases</u>	<u>2013</u> <u>Purchases</u>	<u>2012</u> <u>Purchases</u>	<u>Total</u>
1. 15.875	\$	4,704,637	4,744,016	2,420,836	2,853,009	573,017	15,295,515
2. 20.205	\$	937,606	204,102	625,334	5,557,352	538,071	7,862,465

2. Construction costs were not easily identifiable by project. Capital asset subsidiary ledger included details of transactions from the general ledger and were not organized in a manner that can be identified by project or asset.
3. Reported capital assets were not reconciled to inventory records as of September 30, 2016.
4. Depreciation expense was not consistently calculated through the life of certain assets.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2016

Finding No.: 2016-009, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
Area: Equipment and Real Property Management  
Area: Capital Assets  
Questioned Costs: \$0

#### Cause:

The processes over inventory, maintenance and reconciliation of capital assets are not routine. Construction project accounting for all associated costs, such as construction management and allocating costs by project is not performed.

Capital asset subsidiaries are currently maintained in a separate excel file requiring updates to the ledger to be posted manually.

#### Effect:

The Government of Guam is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceed FY 2016 materiality levels: CFDA numbers 15.875 and 20.205. Furthermore, a potential misstatement of capital assets within the financial statements or related disclosures could exist.

Identification as Repeat Finding: 2015-007.

#### Recommendation:

The Government of Guam should continue implementing controls over timely tagging all equipment and over performing the required future inventories and reconciliations in accordance with applicable equipment management requirements.

Capital assets should be recorded in accordance with the Government's capitalization policy. We recommend a policy be implemented to monitor replacements, disposals, transfers of assets and construction in progress by project.

The Division of Accounts should investigate whether additional personnel well versed in accounting reconciliations and processes may be required to allow for timely review and recordation of capital assets, especially given the substantial capital asset construction that is undertaken by the Government of Guam. Furthermore, coordination with DPW and other engineering firms must occur at project commencement so that accounts are established to track capital costs and to allow for the preparation of periodic reports documenting a project's percentage of completion.

Equipment management has been a continuing finding in prior audits, and Government of Guam management is still in the process of effecting corrective action to develop and fund an equipment management system.

Completion of the required inventory in January 2016 is a significant step forward in demonstrating corrective action for prior years' noncompliance.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2016

Finding No.: 2016-009, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
Area: Equipment and Real Property Management  
Area: Capital Assets  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

The Government of Guam describes corrective action in the Corrective Action Plan.

See full response in the Corrective Action Plan.

**GOVERNMENT OF GUAM**

Summary of Unresolved and Resolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2016

	<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 13	\$ 14,450	\$ 14,450	\$ -
Unresolved Questioned Costs FY 15	<u>348</u>	<u>-</u>	<u>348</u>
	\$ <u>14,798</u>	\$ <u>14,450</u>	348
 Add Questioned Costs for FY 2016			<u>432,056</u>
 Total Unresolved Questioned Costs at September 30, 2016			\$ <u>432,404</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2016</u>	<u>2015</u>	<u>Total</u>
15.875	DOI	\$ 63,385	\$ -	\$ 63,385
93.224	Health Center Program	966	-	966
93.243	Substance Abuse and Mental Health Services	204,110	-	204,110
93.778	Medicaid	<u>163,595</u>	<u>348</u>	<u>163,943</u>
	Totals	\$ <u>432,056</u>	\$ <u>348</u>	\$ <u>432,404</u>

# Government of Guam Corrective Action Plan

GOVERNMENT OF GUAM  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016

**Finding No.: 2016-001**

**Responding Agency:** Department of Public Health & Social Services

**Responsible personnel:** Director of Agency or Human Services Program Administrator, Bureau of Economic Security

1. We disagree that there no daily reconciliation done on the EBT. Auditors were provided worksheets and other documents daily reconciliation. This is the same methodology that was approved by the granting agency last fiscal year, however, we will expound the worksheet to reflect running daily balances as required by the auditor for FY2017.
2. Effective Fiscal Year 2016, the Issuance Unit has conducted daily EBT reconciliations. The reconciliation process involves accounting of benefits coming in and exiting from, and ensuring that the remaining balance in the system each day reflects the same balance with Guam's benefit account with the Treasury and that of the contractor.

**Finding No.: 2016-002**

**Responding Agency:** Department of Administration (DOA) for Department of Public Works (DPW)

**Responsible personnel:** Director of Public Works or Designee

1. Department of Administration's Director or her Designee will seek the assistance from Chief of Procurement (DOA, GSA) to enforce compliance of applicable procurement and suspension and debarment requirements to Department of Public Works and to request procurement files that validates compliance. Memorandum addressed to the DPW's Director will be sent no later than 30 days after issuance of FY16 Single Audit Report to provide said documentation.

**Finding No.: 2016-003**

**Responding Agency:** Department of Administration

**Responsible personnel:** Director of Agency or Designee (Financial Manager or General Accounting Supervisor (GAS) – Federal Branch)

1. GAS will request for circular to be sent to all agencies to request a copy of any subrecipient audit report received; this circular will be sent no later than 30 June 2017.
2. Upon receipt of audit reports, management decision will be documented and GAS will meet with agency proving subrecipient funding together with subrecipient to provide a corrective action plan within one month after initial meeting.
3. Once corrective action plan is received from the subrecipient, GAS will work with agency that awarded subrecipient funding to ensure corrective action plan is enforced and will continue to monitor for compliance to mitigate recurrence of finding. GAS or designee will meet quarterly with awarding agency and subrecipient to discuss status of compliance and enforcement of corrective action plan developed.

GOVERNMENT OF GUAM  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016

**Finding No.: 2016-004**

**Responding Agency:** Department of Administration, General Services Agency

**Responsible personnel:** Chief of Procurement

**GSA disagrees with finding based on the evidence in the procurement record.** GSA received the first requisition on 11 January 2016 and awarded the first purchase order on 21 January 2016. GSA did not receive the second requisition until 04 February 2016 and awarded purchase order for the second request on 17 March 2016. GSA was never informed by the department that they anticipated to order more forms in the future. In addition, due to the shortage of staff, it is evident on the procurement record that it was two different buyers that handled the procurement for each requisition. GSA is not able to cancel the first award that was issued 70 days prior to the receipt of the second request.

**Finding No.: 2016-005**

**Responding Agency:** Department of Public Health & Social Services

**Responsible personnel:** Director of Agency or Human Services Program Administrator, Bureau of Economic Security

1. The Guam Community Health Center Board of Directors has been working with Guam Legislature to increase the fee schedule and will continue to pursue necessary measures for its approval by the Guam Legislature.
2. The Guam Community Health Center made an initial inquiry from the grantor (Grant Management Specialist Christie Walker) about the treatment for program as per attached email dated April 14, 2017. It was clarified that the program cannot be used to reimburse obligations incurred in previous budget periods but can be used to reimburse allowable current local expenditures. Further, the Grant Management Specialist mentioned that all program income under the additive alternative must be spent before any other funds are drawn as per 2 CFR 200.307 (e) (2).

Also, the CHC will find a Program Income Training in 2018 that will assist the CHC Chief Executive Officer, General Accounting Supervisor and Accountant I in the proper treatment and accurate reporting of the Program Income.

The Program Income was set up since April 01, 2001 (with expenditure end date of June 20, 2023) as a continuing fund by DOA and DOA advised that reporting Program Income in the Federal Financial Report (FFR) is Total Expenditures=Total Revenues which was done in the report for more than 10 years until last reporting period of March 31, 2016. Any remaining revenues in the account are rolled over to the next budget period to subsidize future federal and local expenditures. Program Income is solely based on collection of revenues for services rendered by the CHCs, and no local budget appropriation from the Government. If all the remaining funds will be exhausted and there will be no remaining balance at the beginning of the new budget period, CHC staff compensation and other expenses budgeted under program income will have no guaranteed funding.

For the next FFR reporting period (April 01, 2016 to March 31, 2017), two Journal Vouchers were prepared to reimburse allowable operational cost under local funds (Healthy Futures Fund and General Fund) within the reporting period. Moving forward, all program revenues and expenditures will be reported in the appropriated budget period.

GOVERNMENT OF GUAM  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016

**Finding No.: 2016-006**

**Responding Agency:** Department of Public Health & Social Services

**Responsible personnel:** Director of Agency or Human Services Program Administrator, Bureau of Economic Security

The CHC Chief Executive Officer, General Accounting Supervisor and Accountant I will seek technical assistance from HRSA to attend a Program Income training in 2018 that will guide them in the proper reporting of Program Income.

Over the past years, the DOA reported Program Income only as an expenditure in lieu of reporting both revenues and expenditure. Additionally, expenditures were reported using cash method in lieu of the accrual method of accounting. Realizing that the reporting of only Program Income expenditures is incorrect, in the next reporting period, the CHCs will report both the program income revenues collected, and expenditures using accrual method.

**Finding No.: 2016-007**

**Responding Agency:** Department of Administration (DOA), General Services Agency  
Guam Behavioral Health and Wellness Center (GBHWC)  
Department of Public Health & Social Services (DPHSS)

**Responsible personnel:** Director of Agency or Designee  
Program Administrator

**Finding No. 2016-007 Transaction #0601715**

**GSA disagrees with finding based on the evidence in the procurement record.** The procurement record contains the inter-office memorandum dated 04 January 2016, which indicated "Request for Sole Source Procurement and Determination. The document further stated that it was direct to "Only distributor/agent" for the sponsorship of the 2016 Senior Dub Challenge. The procurement record also contained the letter from Vendor #S0096001 indicating that they were the sole provider of the 2016 Senior Lip Dub Challenge and that they own the trademark under SM-800-169-208; A Certificate of Registration of the trademark is also contained in the procurement file.

The grant award indicated that the GBHWC shall have a production company that will facilitate the creation of youth-guided commercials to be aired in theater and television formats.

GOVERNMENT OF GUAM  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016

**Finding No. 2016-007 Transaction #0604804**

**GSA disagree with finding based on the evidence in the procurement record.** The procurement record contains the inter-office memorandum dated 18 March 2016, which indicated "Request for Sole Source Procurement and Determination. The document further stated that it was direct to "Other" Grantor Approval. The procurement record also contained the letter from the company sponsoring the event that the venue was going to be at Vendor #H0826703.

The grant award indicated that the Youth For Youth LIVE! is sponsoring the Youth Leadership Conference for 2016 and the grant indicated a budget for the cost share for the venue. The grant award may not have indicated a venue, but it did indicate the Youth For Youth Live! is the sponsor for the event.

**Finding No. 2016-007 Transaction #EFT 102416**

**GSA disagree with finding based on the evidence in the procurement record.** The procurement record contains the inter-office memorandum which indicated "Request for Sole Source Procurement and Determination. The document further stated that it was direct to "Only distributor/agent". The procurement record also contained the letter from Vendor #F0020078 indicating that they were the only vendor providing such service for the Federal States of Micronesia.

The grant award stated in part: "In partnership with Vendor #F0020078 will be targeting the Guam FSM population..."

**Finding No. 2016-007 [Condition 2]:**

DOA's General Accounting Supervisor (GAS), Federal Branch will meet with program coordinator for Project Launch within 30 days after issuance of FY16 Single Audit report to request for copies of procurement files for transactions listed to demonstrate compliance. A memorandum or e-mail will be sent no later than 30 days after this initial meeting to reiterate the importance of maintaining complete procurement records for any product/services acquired.

DOA's GAS will also request for training from GSA for personnel in charge of the program to get the information they need to comply with procurement regulations.

**Finding No.: 2016-008**

**Responding Agency:** Department of Public Health & Social Services

**Responsible personnel:** Director of Agency or Human Services Program Administrator, Bureau of Economic Security

1. [Condition 2]: We disagree, print screens on Attachment 3 indicates that Eligibility Specialist verified IEVS instead of Social Security card.
2. [Condition 3]: To correct the citation for the three (or 19%) case files that were not presented for examination, on June 11, 2015, the OnBase Document Imaging System was deployed. Staff were trained and instructed to "Scan, Batch, Dip and Index" all documents that are received. The system was deployed in an effort to avoid citations due to missing case files or missing documents such as birth certificate, SSNs, etc. These resulted in our agency not creating new case files. Any case that is touched by the eligibility for any purposes are to be scanned into the OnBase System. Staff are reminded to scan documents during the bureau month-end trainings.

GOVERNMENT OF GUAM  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2016

**Finding No.: 2016-009**

**Responding Agency:** Department of Administration

**Responsible personnel:** Director or Designee (Financial Manager (FM)/ General Accounting Supervisor (GAS), Federal Branch/Fixed Assets)

1. DOA's GAS has addressed Fixed Asset requirements to assist in resolving this finding in meetings with DOA'S FM. Requirements include additional personnel, acquiring a new Fixed Asset Software that is compatible with current financial accounting system and also tracks construction projects by percentage of completion, computers/ dual screens to help with the efficiency in providing necessary reports required, transportation requirement, funding for equipment management training for Fixed Asset personnel as it pertains to compliance with federal and state regulations to ensure that personnel assigned are well versed to provide guidance to agencies. Even with limited resources, DOA will continue to implement controls to make certain timely tagging of all equipment.
2. Fixed Assets Section of DOA will continue to provide fixed assets training to all agencies to ensure compliance of applicable federal and state requirements with regards to equipment and real property management. This training will address compliance with disposition, records management, and maintenance of capital assets. GAS will require all agencies to develop a Standard Operating Procedure (SOP) for equipment management to be completed no later than the end of FY18.
3. DOA's FM, GAS and Accountant assigned to the Fixed Assets section who are well versed in accounting reconciliations and processes will continue to work together to allow for timely review and recordation of capital assets as well as perform timely reconciliation of inventory records, capital asset ledgers and the general ledger.
4. GAS will request for mandatory attendance of a Fixed Asset personnel for any project commencement ensure proper accounts are established to help with the preparation of periodic reports which document a project's percentage of completion.
5. DOA FM and GAS will work with non-component unit government agencies, departments, or divisions to obtain their capital assets reports timely to so that it will be included in the Capital Asset report.