

**GOVERNMENT OF GUAM**

---

**SINGLE AUDIT REPORTS**

---

**YEAR ENDED SEPTEMBER 30, 2014**

**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2014**

**C O N T E N T S**

	<u><b>PAGE</b></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 OMB Circular A-133	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. Department of Veterans Affairs	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	 18
 Schedule of Findings and Questioned Costs	 20
Part IV. Summary of Unresolved and Resolved Questioned Costs	36



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
[www.deloitte.com](http://www.deloitte.com)

**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 B. 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, 2014, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 29, 2015. Our report includes a reference to other auditors and an emphasis-of-matters paragraph regarding implementation of new accounting standards. 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 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 Solid Waste Operations Fund, the Territorial Highway Fund, and the Tourist Attraction Fund, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-008, 2014-009 and 2014-010 to be significant deficiencies.

## Compliance and Other Matters

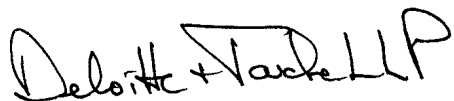
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Response to Findings

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GovGuam's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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 29, 2015



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

Tel: (671)646-3884  
Fax: (671)649-4932  
www.deloitte.com

**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 OMB CIRCULAR A-133**

Honorable Eddie B. 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 *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2014. 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, 2014. 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 OMB Circular A-133, if required.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 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 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 2014-001 and 2014-003 through 2014-007 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>
2014-001	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2014-001	20.205	Highway Planning and Construction	Equipment and Real Property Management
2014-003	20.616	National Priority Safety Programs	Procurement and Suspension and Debarment
2014-001	64.203	State Cemetery Grants	Equipment and Real Property Management
2014-004	64.203	State Cemetery Grants	Allowable Costs/Cost Principles
2014-004	64.203	State Cemetery Grants	Procurement and Suspension and Debarment
2014-005	93.150	Projects for Assistance in Transition from Homelessness (PATH)	Eligibility
2014-006	93.150	Projects for Assistance in Transition from Homelessness (PATH)	Procurement and Suspension and Debarment
2014-007	93.558	Temporary Assistance for Needy Families	Eligibility
2014-007	93.778	Medical Assistance Program	Eligibility

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, 20.616 National Priority Safety Programs, 64.203 State Cemetery Grants, 93.150 Projects for Assistance in Transition from Homelessness (PATH), 93.558 Temporary Assistance for Needy Families, and CFDA 93.778 Medical Assistance Program for the year ended September 30, 2014.

***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, 2014.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

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

### **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 OMB Circular A-133, 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 2014-001 and 2014-003 through 2014-007 to be material weaknesses.

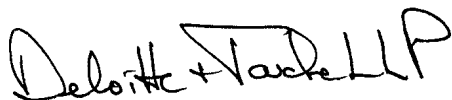
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as item 2014-002 to be a significant deficiency.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

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 Government of Guam as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 29, 2015, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and an emphasis-of-matters paragraph regarding implementation of new accounting standards . 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 OMB Circular A-133 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 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 29, 2015



# GOVERNMENT OF GUAM

## Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2014

<u>Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 119,801,857
U.S. Department of Commerce	1,601,355
U.S. Department of Defense	5,924,348
U.S. Department of Housing and Urban Development	348,524
U.S. Department of the Interior	29,107,321
U.S. Department of Justice	4,051,746
U.S. Department of Labor	5,423,890
U.S. Department of Transportation	30,340,630
National Foundation on the Arts and the Humanities	447,091
U.S. Veterans Affairs Office	3,276,844
U.S. Environmental Protection Agency	3,541,098
U.S. Department of Energy	889,388
U.S. Department of Education	1,953,842
U.S. Department of Health and Human Services	80,601,748
Corporation for National and Community Service	981,033
U.S. Department of Homeland Security	4,404,646
GRAND TOTAL	\$ <u>292,695,361</u>

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

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

CFDA#	Agency/Program Title	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program (SNAP)	\$ 108,434,050
10.561	State Administrative Matching Grants for the SNAP	1,345,059
	Subtotal SNAP Cluster	109,779,109
10.025	Plant and Animal Disease, Pest Control, and Animal Care	44,079
10.170	Specialty Crop Block Grant Program - Farm Bill	182,812
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	9,574,350
10.572	WIC Farmers' Market Nutrition Program (FMNP)	44,164
10.664	Cooperative Forestry Assistance	177,343
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ 119,801,857
U.S. DEPARTMENT OF COMMERCE		
11.407	Interjurisdictional Fisheries Act of 1986	\$ 10,371
11.419	Coastal Zone Management Administration Awards	762,996
11.437	Pacific Fisheries Data Program	71,606
11.454	Unallied Management Projects	12,103
11.467	Meteorologic and Hydrologic Modernization Development	339,075
11.482	Coral Reef Conservation Program	402,626
11.549	State and Local Implementation Grant Program	2,578
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ 1,601,355
U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 100,142
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,395,930
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	2,428,276
	U.S. DEPARTMENT OF DEFENSE TOTAL	\$ 5,924,348
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.225	Community Development Block Grant/Special Purpose Grant/Insular Area	\$ 263
14.235	Supportive Housing Program	344,545
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	3,716
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	\$ 348,524

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

CFDA#	Agency/Program	Expenditures
U.S. DEPARTMENT OF THE INTERIOR		
Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	\$ 1,029,589
15.611	Wildlife Restoration and Basic Hunter Education	372,800
	Subtotal Fish and Wildlife Cluster	1,402,389
15.608	Fish and Wildlife Management Assistance	3,322
15.615	Cooperative Endangered Species Conservation Fund	327,255
15.616	Clean Vessel Act Program	909
15.622	Sportsfishing and Boating Safety Act	1,262
15.634	State Wildlife Grants	107,268
15.808	U.S. Geological Survey_Research and Data Acquisition	20,941
15.875	Economic, Social, and Political Development of the Territories	26,908,469
15.904	Historic Preservation Fund Grants-In-Aid	335,506
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 29,107,321
U.S. DEPARTMENT OF JUSTICE		
16.013	Violence Against Women Act Court Training and Improvement Grants	\$ 51,615
16.017	Sexual Assault Services Formula Program	21,348
16.523	Juvenile Accountability Block Grants	88,428
16.527	Supervised Visitation, Safe Havens for Children	4,102
16.532	Part E_National Priority Program Grants	3,705
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	12,033
16.554	National Criminal History Improvement Program (NCHIP)	70,391
16.575	Crime Victim Assistance	436,177
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2,796
16.585	Drug Court Discretionary Grant Program	43,538
16.588	Violence Against Women Formula Grants	690,485
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	3,653
16.593	Residential Substance Abuse Treatment for State Prisoners	61,733
16.606	State Criminal Alien Assistance Program	387,244
16.609	Project Safe Neighborhoods	2,703
16.710	Public Safety Partnership and Community Policing Grants	496,852
16.710	ARRA Public Safety Partnership and Community Policing Grants	244,167
16.727	Enforcing Underage Drinking Laws Program	29,590
16.738	Edward Byrne Memorial Justice Assistance Grant Program	896,738
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	130,856
16.750	Support for Adam Walsh Act Implementation Grant Program	317,291
16.816	John R. Justice Prosecutors and Defenders Incentive Act	56,301
	U.S. DEPARTMENT OF JUSTICE TOTAL	\$ 4,051,746

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

CFDA#	Agency/Program	Expenditures
U.S. DEPARTMENT OF LABOR		
Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	\$ 495,228
17.801	Disabled Veterans' Outreach Program (DVOP)	60,247
	Subtotal Employment Service Cluster	555,475
WIA Cluster:		
17.258	WIA Adult Program	954,911
17.259	WIA Youth Activities	791,458
17.278	WIA Dislocated Worker Formula Grants	1,697,871
	Subtotal WIA Cluster	3,444,240
17.002	Labor Force Statistics	76,556
17.005	Compensation and Working Conditions	48,699
17.235	Senior Community Service Employment Program	938,358
17.260	WIA Dislocated Workers	17,281
17.273	Temporary Labor Certification for Foreign Workers	112,512
17.504	Consultation Agreements	230,769
	U.S. DEPARTMENT OF LABOR TOTAL	\$ 5,423,890
U.S. DEPARTMENT OF TRANSPORTATION		
20.205	Highway Planning and Construction	\$ 27,939,451
20.205	ARRA Highway Planning and Construction	417,650
20.218	National Motor Carrier Safety	310,730
20.509	Formula Grants for Other Than Urbanized Areas	710,324
20.600	State and Community Highway Safety	521,365
20.616	National Priority Safety Programs	383,517
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	57,593
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ 30,340,630
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts-Partnership Agreements	\$ 275,705
45.310	Grants to States	171,386
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ 447,091
U.S. DEPARTMENT OF VETERANS AFFAIRS		
64.203	State Cemetery Grants	\$ 3,276,844
	U.S. DEPARTMENT OF VETERANS AFFAIRS TOTAL	\$ 3,276,844

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

CFDA#	Agency/Program	Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	\$ 3,473,972
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	67,126
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ 3,541,098
U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 335,995
81.041	ARRA State Energy Program	11,565
81.042	Weatherization Assistance for Low-Income Persons	337,947
81.042	ARRA Weatherization Assistance for Low-Income Persons	19,606
81.128	ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	184,275
	U.S. DEPARTMENT OF ENERGY TOTAL	\$ 889,388
U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 1,342,393
84.403	Consolidated Grant to the Outlying Areas	611,449
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 1,953,842
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	\$ 734,916
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,745,804
93.053	Nutrition Services Incentive Program	313,637
	Subtotal Aging Cluster	2,794,357
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	8,938
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	37,594
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	32,126
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	131,484
93.052	National Family Caregiver Support, Title III, Part E	189,800
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	997,968
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	147,609
	BALANCE FORWARD	\$ 4,339,876

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

CFDA#	Agency/Program	Expenditures
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
	BALANCE FORWARD	\$ 4,339,876
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,318,402
93.110	Maternal and Child Health Federal Consolidated Programs	13,889
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	925,808
93.127	Emergency Medical Services for Children	54,618
93.136	Injury Prevention and Control Research and State and Community Based Program	11,060
93.150	Projects for Assistance in Transition from Homelessness (PATH)	45,000
93.217	Family Planning - Services	236,469
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	1,403,943
93.235	Affordable Care Act (ACA) Abstinence Education Program	33,812
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	1,460,313
93.268	Immunization Cooperative Agreements	1,152,382
93.283	The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,324,488
93.292	National Public Health Improvement Initiative	102,302
93.324	State Health Insurance Assistance Program	6,184
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	642,227
93.507	PPHF 2012 National Public Health Improvement Initiative	8,907
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Rvw	40,647
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	27,842
93.544	The Patient Protection and Affordable Care Act of 2010 Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	98,072
93.558	Temporary Assistance for Needy Families	3,640,953
93.560	Family Support Payments to States Assistance Payments	909,443
93.563	Child Support Enforcement	4,685,884
93.575	Child Care and Development Block Grant	3,103,495
93.597	Grants to States for Access and Visitation Programs	97,698
93.617	Voting Access for Individual with Disabilities Grants to States	93,820
93.630	Developmental Disabilities Basic Support and Advocacy Grants	229,993
93.667	Social Services Block Grant	2,524,656
93.719	ARRA State Grants to Promote Health Information Technology	602,245
93.735	State Public Health Approaches for Ensuring Quitline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	48,980
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	72,436
	BALANCE FORWARD	\$ 29,255,844

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 29,255,844
93.767	Children Health Insurance Program	5,539,767
93.778	Medical Assistance Program	43,497,628
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	32,398
93.917	HIV Care Formula Grants	202,385
93.945	Assistance Program for Chronic Disease Prevention and Control	163,222
93.958	Block Grants for Community Mental Health Services	195,903
93.959	Block Grants for Prevention and Treatment of Substance Abuse	912,740
93.988	Cooperative Agreements for State-Based Diabetes Control Program and Evaluation of Surveillance System	29,551
93.991	Preventive Health and Health Services Block Grant	128,849
93.994	Maternal and Child Health Services Block Grant to the States	643,461
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$ <u>80,601,748</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.003	State Commissions	\$ 222,850
94.006	AmeriCorps	758,183
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	\$ <u>981,033</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY	
97.012	Boating Safety Financial Assistance	\$ 566,561
97.042	Emergency Management Performance Grants	799,166
97.044	Assistance to Firefighters Grant	202,415
97.047	Pre-Disaster Mitigation	906,287
97.052	Emergency Operations Centers	32,697
97.067	Homeland Security Grant Program	1,225,646
97.089	Driver's License Security Grant Program	671,874
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	\$ <u>4,404,646</u>
	TOTAL FEDERAL AWARDS	\$ <u>292,695,361</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, 2014

#### 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.

Programs Subject to Single Audit:

The Schedule of Expenditures of Federal Awards presents 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 Homeland Security
- 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. Department of Veterans Affairs
- U.S. Environmental Protection Agency
- National Foundation on the Arts and the Humanities

#### 2. Summary of Significant Accounting Policies

##### a. Basis of Accounting:

All expenditures 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 Federal Grants Assistance Fund of the Government of Guam and includes Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period.



**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

2. Summary of Significant Accounting Policies, Continued

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, 2014 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, 2014.

The federal award totals for the excluded departments and component units as of September 30, 2014, are as follows:

<u>Department or Component Unit</u>	<u>Federal Award Total</u>
Antonio B. Won Pat International Airport Authority	\$ 13,607,186
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 16,771,234
Guam Department of Education	\$ 62,524,515
Guam Economic Development Authority	\$ 82,598
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 43,051,360
Guam Housing Corporation	Undetermined
Guam Memorial Hospital Authority	\$ 6,522,560
Guam Power Authority	\$ 1,951,147
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ -
Guam Waterworks Authority	\$ 3,559,505
Port Authority of Guam	\$ 18,112,818
University of Guam	\$ 33,153,777

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 allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2014 grant programs are based on 2014 actual expenditures and caseloads.

d. Matching Costs:

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

3. Amounts Passed-Through to Subrecipients

Expenditures include amounts passed through to subrecipients during the fiscal year.

**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

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, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2014, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551 SNAP EBT payments	\$ <u>108,434,050</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>108,434,050</u>

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

5. American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2014, GovGuam's expenditures during the fiscal year and related grant award notifications are as follows:

<u>CFDA</u>		<u>FY 2014 Expenditures</u>
16.710	\$	244,167
20.205		417,650
81.041		11,565
81.042		19,606
81.128		184,275
93.719		<u>602,245</u>
	\$	<u>1,479,508</u>

**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

5. American Recovery and Reinvestment Act of 2009 (ARRA), Continued

GovGuam received federal funding from certain programs under ARRA, which are not subject to continuing compliance requirements, and therefore, are not included in the Schedule. For the year ended September 30, 2014, \$20.4 million of federal funds not subject to continuing compliance requirements were received, as follows:

Additional Child Tax Credit	\$ 20,402,211
American Opportunity Tax Credit	<u>                  -</u>
Total ARRA receipts not included in the Schedule	\$ <u>20,402,211</u>

**GOVERNMENT OF GUAM**

Reconciliation of Schedule of Expenditures of Federal Awards to  
Basic Financial Statements  
Year Ended September 30, 2014

	2014 <u>Expenditures</u>
Federal contributions, as reported in the 2014 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 326,570,623
Less local match and contributions	(44,202,453)
Plus transfers out	<u>7,100,000</u>
Federal expenditures, transfers, and other uses	289,468,170
<u>CFDA #</u>	
10.551 Supplemental Nutrition Assistance Program	271,146
Superior Court of Guam:	
15.875 Economic, Social, and Political Development of the Territories	210,304
16.013 Violence Against Women Act Court Training and Improvement Grants	51,615
16.554 National Criminal History Improvement Program (NCHIP)	70,391
16.585 Drug Court Discretionary Grant Program	43,538
16.750 Support For Adam Walsh Act Implementation Grant Program	219,788
84.403 Consolidated Grant to the Outlying Areas	611,449
Fund 105:	
93.224 Consolidated Health Centers	1,403,943
Variance	<u>345,017</u>
Total Federal Expenditures Subject to Audit	\$ <u>292,695,361</u>

**GOVERNMENT OF GUAM**

---

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**YEAR ENDED SEPTEMBER 30, 2014**

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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

##### *Financial Statements*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:                          | Unmodified |
| Internal control over financial reporting:                   |            |
| 2. Material weakness(es) identified?                         | Yes        |
| 3. Significant deficiency(ies) identified?                   | Yes        |
| 4. Noncompliance material to the financial statements noted? | No         |

##### *Federal Awards*

##### Internal control over major programs:

- |  |            |
|--|------------|
| 5. Material weakness(es) identified?   | Yes        |
| 6. Significant deficiency(ies) identified?   | Yes        |
| 7. Type of auditors' report issued on compliance for major programs:   |            |
| CFDA # 15.875  | Qualified  |
| CFDA # 20.205  | Qualified  |
| CFDA # 20.616  | Qualified  |
| CFDA # 64.203  | Qualified  |
| CFDA # 93.150  | Qualified  |
| CFDA # 93.558  | Qualified  |
| CFDA # 93.778  | Qualified  |
| All other major programs   | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? | Yes        |
| 9. Identification of major 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
11.419	Coastal Zone Management Administration Awards
11.482	Coral Reef Conservation Program
15.875	Economic, Social and Political Development of the Territories
16.738	Edward Byrne Memorial Justice Assistance Grant Program
17.258	WIA Cluster: WIA Adult Program
17.259	WIA Cluster: WIA Youth Activities
17.278	WIA Cluster: WIA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction
20.616	National Priority Safety Programs
64.203	State Cemetery Grants
93.150	Projects for Assistance in Transition from Homelessness (PATH)
93.224	Consolidated Health Centers
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

**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>
2014-001	Capital Assets	\$ -
2014-008	Schedule of Expenditures of Federal Awards	\$ -
2014-009	Revenues	\$ -
2014-010	Tiyan Properties Acquired	\$ -

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

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2014-001	15.875	Equipment and Real Property Management	\$ -
2014-002	17.258/259/278	Reporting	-
2014-001	20.205	Equipment and Real Property Management	-
2014-003	20.616	Procurement and Suspension and Debarment	-
2014-001	64.203	Equipment and Real Property Management	-
2014-004	64.203	Allowable Costs/Cost Principles	-
2014-004	64.203	Procurement and Suspension and Debarment	-
2014-005	93.150	Eligibility	45,000
2014-006	93.150	Procurement and Suspension and Debarment	-
2014-007	93.558	Eligibility	-
2014-007	93.778	Eligibility	<u>1,293</u>
Total Federal Questioned Costs			\$ <u>46,293</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-001  
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
 CFDA Program: 20.205 DOT Highway Planning and Construction  
 CFDA Program: 64.203 DVA State Cemetery Grants  
 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. Asset acquisitions and, or applicable related financing agreements and construction projects in progress are recorded to the general ledger in a timely manner.

Condition:

1. The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2014 or in the two prior years. We are unable to assess the overall cumulative monetary value of this deficiency. However, a summary of total capital outlays over the past five years for the Government of Guam's FY 2014 major programs is as follows:

		<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Total</u>
	<u>Program CFDA #s</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	
1.	10.551/10.561	\$ 0	0	14,995	14,500	0	29,495
2.	11.419	\$ 0	9,998	0	0	0	9,998
3.	11.482	\$ 0	0	0	0	0	0
4.	15.875	\$ 2,420,836	2,853,009	573,017	564,249	1,201,607	7,612,718
5.	16.738	\$ 0	0	0	0	0	0
6.	17.258/17.259/17.278	\$ 70,403	22,490	0	0	0	92,893
7.	20.205	\$ 625,334	5,557,352	538,071	6,064,230	11,506,775	24,291,762
8.	20.616	\$ 0	0	0	0	0	0
9.	64.203	\$ 3,276,844	0	0	0	0	3,276,844
10.	93.150	\$ 0	0	0	0	0	0
11.	93.224	\$ 0	0	0	0	0	0
12.	93.558	\$ 0	0	0	0	0	0
13.	93.778	\$ 0	0	0	12,550	0	12,550



**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-001, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
CFDA Program: 64.203 DVA State Cemetery Grants  
Area: Equipment and Real Property Management  
Area: Fixed Assets  
Questioned Costs: \$0

Condition, Continued:

2. GovGuam acquired capital assets under financing agreements as of 09/30/14, but did not record the acquisitions and debt service obligations until eight months after the fiscal year end. Total assets under capital leases aggregate \$78,024,200 for the Tiyan lease and the Okkodu expansion project.
3. GovGuam did not report \$9M in construction in progress until eight months after fiscal year end.
4. GovGuam did not record \$3.2M in capital assets acquired through CFDA 64.203 State Cemetery Grants.

Cause:

1. Noncompliance with applicable equipment management requirements has been a continuing finding from prior audits, and Government of Guam management is still in the process of effecting corrective action and of developing an equipment management system that complies with applicable equipment management standards. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a comprehensive physical inventory.
2. Processes over inventory and reconciliation of the fixed assets register are not routine.

Effect:

The Government 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 2014 materiality levels: CFDA numbers 15.875, 20.205, and 64.203. Furthermore, capital assets within the financial statements or related disclosures could be misstated and the valuations of such may not reflect existing business circumstances and economic conditions in accordance with accounting policies being used.

A potential misstatement of capital assets within the financial statement or related disclosure could exist.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2014

Finding No.: 2014-001, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
CFDA Program: 64.203 DVA State Cemetery Grants  
Area: Equipment and Real Property Management  
Area: Fixed Assets  
Questioned Costs: \$0

#### Prior Year Status:

The lack of properly recording capital assets was reported as finding 2013-001.

#### Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

Routine inventory and reconciliation against the fixed assets register should occur. The fixed assets register should be descriptive to assist in distinguishing assets and allow for their monitoring. Furthermore, periodic communication should occur with other agencies or departments in order to determine the percentage of completion of capital assets that are being constructed.

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 currently being 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.

#### Auditee Response and Corrective Action Plan:

As of to date, Government of Guam has tagged and inventoried 98% of equipment from 2014 and prior years as noted on previous audits as well as simultaneously working on tagging equipment acquired for the current fiscal year to ensure that tagging and physical inventory requirements do not fall behind. Physical inventory of assets for line agencies will continue hence forth. The remaining 2% that have not been tagged are equipment that has been disposed and waiting documentation to confirm disposition. Communication with line agencies is an on-going process to ensure that agency operations are interrupted at the very minimum and to ensure good communication with those concerned.

Training to ensure compliance with applicable equipment management requirements is currently on going for equipment/property custodians and those responsible for the accountability of such equipment such as the heads of the respective agencies as well as their certifying officers. Training agenda includes familiarity of compliance of federal requirements to include all procedures for accountability in order for equipment can be located accordingly during physical inventory.

Those in charge of acquiring such assets are informed during the training to ensure that adequate maintenance procedures must be included to ensure good working conditions for purchased equipment and to keep proper documentation when such maintenance occurs and by ensuring that funds are budgeted so that equipment does not stay on standstill due to lack of funding requirements for necessary repairs.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-001, Continued  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
CFDA Program: 64.203 DVA State Cemetery Grants  
Area: Equipment and Real Property Management  
Area: Fixed Assets  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

The fixed assets team is developing the standard operating procedure for fixed assets that the line agencies will have to mirror to fit the needs of their agency requirements. This document will serve as the guideline that all agencies will follow to comply with federal regulations and to meet all the requirements with regards to physical inventory, tagging, maintenance processes, etc. It will also dictate all appointed custodians and all stakeholders are aware of their duties and responsibilities and consequences if policies and procedures are not adhered to.

Currently, there are two limited term employees that have assisted in the improvement efforts to ensure that the program does not fall back to its previous condition. Continuity of current procedures will ensure that physical inventory and tagging of equipment will continue hence the necessity for Government of Guam to have permanent personnel for fixed assets who are well versed and have the knowledge in reconciliation and processes that are required to ensure compliance of all requirements. In addition, Government of Guam is working on funding requirements to retain current personnel to include training for current module and Fixed Assets Software to ensure reconciliation of register is conducted routinely.

Fixed assets staff will work with management to ensure coordination with DPW upon project commencement so that Capital Improvement Projects are monitored and recorded accordingly. In addition, the fixed assets team will work with management and all stakeholders to establish indexing processes for accountability of said projects.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-002  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.258/17.259/17.278 WIA Cluster  
 Area: Reporting  
 Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, administrative expenditures should be correctly reported on ETA-9130, Financial Report.

Condition:

Administrative costs were incorrectly reported on ETA-9130 as follows, and no reconciliation was provided:

Year	Federal Award - Program	Administrative Costs		
		Reported per ETA-9130	Recorded per AS400	(Under) Over Reported
FY 2014	AA24132QR0 - Dislocated Worker	\$ 22,487	\$ 90,059	\$ (67,572)
PY 2013	AA24132ON0 - Adult	\$ -	\$ 1,338	(1,338)
PY 2013	AA24132OP0 - Dislocated Worker	\$ -	\$ 11,554	(11,554)
FY 2013	AA22975LY0 - Adult	\$ 78,012	\$ 84,061	(6,049)
FY 2013	AA22975MA0 - Dislocated Worker	\$ 120,510	\$ 124,108	(3,598)
Totals				\$ <u>(90,111)</u>

Cause:

Government of Guam management did not consistently monitor reporting of administrative costs.

Effect:

The Government of Guam is in noncompliance with applicable reporting requirements. No questioned costs exist as total actual administrative costs did not exceed the allowable limits.

Recommendation:

Government of Guam management should strengthen monitoring controls over compliance with applicable reporting requirements. The responsible personnel should not approve reports for submission unless amounts are substantiated by underlying accounting records.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-003  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.616 National Priority Safety Programs  
Federal Award No.: 18X92045BGU14  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds, the purpose of which is to foster effective broad-based competition within the free enterprise system. Although the Territorial Procurement section of the Guam Procurement Law excepts contracts between one Government of Guam agency or instrumentality and another Government of Guam agency or instrumentality, Guam Procurement Law also states that for Federally funded procurements, the Government of Guam shall comply with applicable Federal law and regulations, which do require full and open competition for all procurement transactions.

Condition:

For one (or 11%) of nine transactions tested, the Territorial Procurement section was applied to contract services for driver and passenger evaluation and survey methodology from a Guam college (Government of Guam instrumentality). However, there is more than one Government of Guam instrumentality that is an institute of higher education, and there is no written rationale to justify the selection of one institution over the other, as follows:

<u>Tran#</u>	<u>Vendor#</u>	<u>Prior Ref#</u>	<u>Amount</u>
0558206	U0226001	P146A01235	\$ 8,000

Cause:

Government of Guam management did not seek to foster effective broad-based competition, or full and open competition, for all procurement transactions.

Effect:

The Government of Guam is in potential noncompliance with applicable procurement requirements, the intent of which is full and open competition. Since the Program technically complied with the Territorial Procurement section of the Guam Procurement Law, no questioned cost results.

Recommendation:

Government of Guam management should seek to foster effective broad-based competition for all procurements and should afford qualified entities the opportunity to participate in Federally-funded activities in accordance with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-004  
Federal Agency: U.S. Department of Veterans Affairs  
CFDA Program: 64.203 State Cemetery Grants  
Federal Award No.: GU-11-03  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$0  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented to be allowable under Federal awards.

Furthermore, in accordance with applicable procurement requirements, 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.

Condition:

A total of \$3,280,292 in Federal funds was received from the grantor; however, the Government of Guam could not provide documentation, such as payment requests, purchase orders, contracts, vendor invoices, and receiving reports, to substantiate program costs.

Furthermore, the Government of Guam did not provide documentation, such as requests for bid/proposal, bids/proposals received, rationales for selection or rejection, and bases for contract price to substantiate full and open competition in the selection of vendors.

Cause:

Program transactions were not centrally processed at the Government of Guam's Division of Accounts, and the Program Administrator represented that the program office was burgled prior to audit fieldwork. Therefore, documentation is not available.

Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirements and with applicable procurement requirements. No questioned cost is presented as the Government of Guam was able to correspond with the grantor to obtain evidence of approved costs.

Recommendation:

Government of Guam management should coordinate further with the grantor agency, contractors and the financial institution to obtain copies of such supporting documentation as payment requests, purchase orders, contracts, invoices, receiving reports, and procurement records to substantiate costs in accordance with applicable allowable costs/cost principles requirements and with applicable procurement requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-005  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.150 Projects for Assistance in Transition from Homelessness (PATH)  
Federal Award No.: 2X06SM016052-13  
Area: Eligibility  
Questioned Costs: \$45,000

Criteria:

In accordance with applicable eligibility requirements, beneficiaries of the program are those individuals who have serious mental illness and substance abuse; and are homeless or are at imminent risk of becoming homeless.

Condition:

No case files or other eligibility documentation was provided to substantiate beneficiaries of program services that totaled \$45,000 during fiscal year 2014.

Cause:

Government of Guam management did not monitor compliance with applicable eligibility requirements.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. A questioned cost of \$45,000 exists.

Recommendation:

Government of Guam management should implement monitoring controls over compliance with eligibility requirements and should maintain documentation to substantiate the eligibility of program participants.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-006  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.150 Projects for Assistance in Transition from Homelessness (PATH)  
Federal Award No.: 2X06SM016052-13  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, 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.

Condition:

For four (or 100%) of transactions tested, no procurement records were provided. The vendor contract to operate a drop-in enrichment center for persons with mental illness and at-risk homelessness expired on September 30, 2013, and the vendor continued to provide services without a contract based on good faith communications from Guam Behavioral Health and Wellness Center (GBHWC), as follows:

<u>Account</u>	<u>Tran No</u>	<u>Vendor No</u>	<u>Prior Ref</u>	<u>Service Period</u>	<u>Amount</u>
5101H132310SE103230	0552555	W0011055	D142300034	10/2013	\$ 11,250
5101H132310SE103230	0562106	W0011151	D142300213	11/2013	11,250
5101H132310SE103230	0562106	W0011151	D142300213	12/2013	11,250
5101H132310SE103230	0562106	W0011151	D142300213	01/2014	<u>11,250</u>
					<u>\$ 45,000</u>

Cause:

Government of Guam management did not monitor contracts for compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. However, no questioned cost is presented as the Guam Office of the Attorney General determined that the required program services were provided in good faith, and a subsequent contract with a different vendor for the same program services resulted in approximately the same monthly cost.

Recommendation:

Government of Guam management should strengthen monitoring controls over contracts and should commence procurement procedures in sufficient time to select a vendor to continue program services after the expiration of existing contracts.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.



**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-007  
 Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: 1401GUTANF  
 Questioned Costs: \$0

CFDA Program: 93.778 Medical Assistance Program  
 Grant Number: 1405-GQ5MAP  
 Questioned Costs: \$1,293

Area: Eligibility

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, the income and eligibility verification system (IEVS) shall be used to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), the Internal Revenue Service, or other alternative sources approved by the grantor to verify income eligibility and the amount of eligible benefits.

Condition:

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

**CFDAs 93.558 and 93.778**

1. For 75 (or 100%), we noted no documentation to demonstrate that the income and eligibility verification system (IEVS) was used to verify eligibility. We did note that the new automated data processing (ADP) system has IEVS capabilities. However, no evidence was provided to show that the eligibility specialist used the available IEVS features during the eligibility determination process. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

**CFDA 93.778**

2. For 1 (or 1%), the social security card is not documented for all household members for the following case number: 300076351-6.
3. For 3 (or 4%), the following case files were not provided.

<u>Case #</u>	<u>Service Date</u>	<u>Amount</u>	<u>FY 2014 Medicaid Claim Paid and Questioned Cost</u>
a. 201301603-1	10/1/2013 – 9/30/2014	\$ 159	\$ 465
b. 330092731-1	6/18/2013	6	6
c. 901300928-1	10/1/2013 – 9/30/2014	<u>857</u>	<u>1,880</u>
		<u>\$ 1,022</u>	<u>\$ 2,351</u>

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-007, Continued  
 Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: 1401GUTANF  
 Questioned Costs: \$0

CFDA Program: 93.778 Medical Assistance Program  
 Grant Number: 1405-GQ5MAP  
 Questioned Costs: \$1,293

Area: Eligibility

Cause:

The Government of Guam did not require eligibility specialists to use the available IEVS features of the ADP system. Furthermore, the Government of Guam did not properly 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. Questioned costs are yet to be determined, but at a minimum, the following exist:

	<u>CFDA 93.558</u>	<u>CFDA 93.778</u>
Costs Questioned Above	\$ -	\$ 2,351
X Federal Share	<u>100%</u>	<u>55%</u>
Total Questioned Cost	\$ <u>-</u>	\$ <u>1,293</u>

Recommendation:

The Program Administrator should implement an IEVS in accordance with applicable eligibility requirements. If GovGuam is unable to use the IEVS, then the Program Administrator should consider discussing the issue with the grantor agency and obtaining a written waiver or approved alternative. Furthermore, the Program Administrator should implement monitoring and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-008  
Area: Schedule of Expenditures of Federal Awards

Criteria:

In accordance with OMB Circular A-133, the Schedule of Expenditures of Federal Awards shall provide total Federal awards expended for each individual Federal program.

Condition:

During fiscal year 2014, the Government of Guam incurred expenditures and received federal funding for the expansion and improvement of the Guam Veterans Cemetery under CFDA Program 64.203 State Cemetery Grants. During the performance of the audit, we noted the Schedule of Expenditures of Federal Awards had not included approximately \$3.2M in Federal expenditures. The Government of Guam recorded a post-closing adjustment to record the program revenues, expenditures, and accruals for FY 2014.

Cause:

The Government of Guam has a centralized process for federal award applications. GovGuam's Division of Accounts (DOA) relies on this process so that all of GovGuam's federal awards are accounted for in the financial management system and reported in the Schedule of Expenditures of Federal Awards for each fiscal year. The department which applied for Federal funding under CFDA 64.203 acted independently and did not communicate with other departments involved in the centralized process for federal award applications. Controls over financial reporting did not operate effectively.

Effect:

The Schedule of Expenditures of Federal Awards was initially incomplete and in noncompliance with requirements of OMB Circular A-133, and the financial statements were misstated. There is a potential for future federally funded activities to occur outside the centralized process for federal award applications and to continue undetected and unrecorded by DOA.

Recommendation:

The Government of Guam should strengthen controls over the centralized process for federal award applications. The responsible official should communicate the formalized process to all GovGuam departments and enforce the process so that all federal award activities are timely accounted for in the financial management system and timely reported in the Schedule of Expenditures of Federal Awards.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-009  
Area: Revenues

Criteria:

1. The Government of Guam should enforce collection of import and use taxes and customs and quarantine services fees.
2. Tax revenues should be supported with a tax form and be appropriately classified and input.

Condition:

1. The Guam Customs and Quarantine Agency received in excess of \$6.6M of annual revenues in fiscal year 2014. Compared to prior year, recorded receivables increased by approximately \$1.044M. At September 30, 2014, the recorded receivable approximated \$5.9M and \$2.4M in the General Fund and Other Non-Major Funds, respectively. In March 2015, a post-closing adjustment was recorded to write off \$4.9M and \$1.8M of the respective receivables.
2. Approximately 3% of the redacted tax and registration forms requested were not available.

Cause:

1. A standard method of enforced collection was not implemented during the fiscal year.
2. Tax files are organized by the date the tax form is filed which creates difficulty in locating requested files. Additionally, due diligence should be exercised during the input and classification of tax revenues.

Effect:

1. In fiscal year 2014, related receivables approximated \$8.3M of which \$6.7M was written off.
2. A misstatement may exist between tax revenue classifications.

Recommendation:

1. We understand a formulated plan is being developed to centralize a collection site for import and use taxes and we recommend that such commence at the earliest.
2. We recommend the Government of Guam invest in a filing system that will produce tax records more efficiently. Additionally, classification and input of tax information should be verified for accuracy.

Prior Year Status:

Collection of import and use tax was reported as finding 2013-007.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2014

Finding No.: 2014-010  
Area: Tiyan Properties Acquired

Criteria:

Fixed assets should reflect existing business circumstances and economic conditions.

Condition:

No appraisal or equivalent valuation was provided to support the valuation of the acquired Tiyan property.

Cause:

The Government of Guam did not have available supporting evidence such as an appraisal or equivalent valuation to support the Tiyan property value.

Effect:

Capital assets within the financial statements or related disclosures could be misstated and the valuations of such may not reflect existing business circumstances and economic conditions in accordance with accounting policies being used.

Recommendation:

The Government of Guam should establish a valuation process to assist in the acquisition of government properties.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Summary of Unresolved and Resolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2014

	<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 12	\$ 35,293	-	\$ 35,293
Unresolved Questioned Costs FY 13	<u>18,178</u>	<u>-</u>	<u>18,178</u>
	\$ <u>53,471</u>	\$ <u>-</u>	53,471
 Add Questioned Costs for FY 2014			<u>46,293</u>
 Total Unresolved Questioned Costs at September 30, 2014			\$ <u>99,764</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Total</u>
93.150	PATH	\$ 45,000	\$ -	\$ -	\$ 45,000
93.558	TANF	-	80	971	1,051
93.778	Medicaid	1,293	3,648	34,322	39,263
97.078	Buffer Zone Protection Program	<u>-</u>	<u>14,450</u>	<u>-</u>	<u>14,450</u>
	Totals	\$ <u>46,293</u>	\$ <u>18,178</u>	\$ <u>35,293</u>	\$ <u>99,764</u>