

**GOVERNMENT OF GUAM**

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**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 2011**

**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	6
U.S. Department of Agriculture	7
U.S. Department of Commerce	7
U.S. Department of Defense	8
U.S. Department of Housing and Urban Development	8
U.S. Department of the Interior	8
U.S. Department of Justice	9
U.S. Department of Labor	9
U.S. Department of Transportation	10
National Foundation on the Arts and the Humanities	10
U.S. Environmental Protection Agency	10
U.S. Department of Energy	10
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	19
Part IV. Summary of Unresolved Questioned Costs	43

**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 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, 2011, which collectively comprise GovGuam's basic financial statements and have issued our report thereon dated June 29, 2012. Our report includes a reference to other auditors and a reference for the adoption of a new accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Port Authority of Guam, the University of Guam, 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 Department of Education, the Guam Power Authority, the Guam Waterworks Authority, the Guam Community College, the Guam Economic Development Authority, the Guam Visitors Bureau, the Guam Memorial Hospital Authority, and the Guam Educational Telecommunications Corporation, 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 Port Authority of Guam, the University of Guam, 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

Management of GovGuam is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GovGuam's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 items 2011-05, 2011-06, 2011-07, 2011-09, and 2011-10 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-08 to be a significant deficiency.

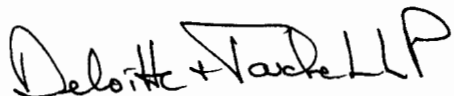
## Compliance and Other Matters

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*.

We noted certain matters that we reported to management of GovGuam in a separate letter dated June 29, 2012.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.



June 29, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Eddie B. Calvo  
Governor  
Government of Guam:

## Compliance

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 the Government of Guam's major federal programs for the year ended September 30, 2011. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 19 through 42). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

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, 2011. 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.

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. Our audit does not provide a legal determination of GovGuam's compliance with those requirements.

As described in items 2011-02 through 2011-04 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding eligibility, equipment and real property management, and reporting that are applicable to its major federal programs as described in the Federal Award Findings and Questioned Cost Section of the accompanying Schedule of Findings and Questioned Costs (page 21). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that could have a direct and material effect on CFDA Program 15.875 Economic, Social and Political Development of the Territories; CFDA Program 20.205 Highway Planning and Construction; CFDA Program 93.558 Temporary Assistance for Needy Families; CFDA Program 93.778 Medical Assistance Program (Medicaid); and CFDA Program 97.012 Boating Safety Financial Assistance. Also in our opinion, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended September 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, 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 2011-01.

### Internal Control Over Compliance

Management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GovGuam's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 2011-02 through 2011-04 to be material weaknesses.

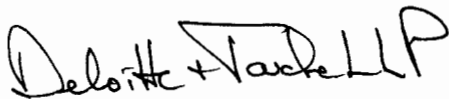
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important 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 2011-01 to be significant deficiency.

## Schedule of Expenditures of Federal Awards

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 (GovGuam) as of and for the year ended September 30, 2011, and have issued our report thereon dated June 29, 2012, which report includes a reference to other auditors and a reference for the adoption of a new accounting standard. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise GovGuam's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 6 through 13) 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. This schedule is the responsibility of the management of GovGuam. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GovGuam's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit GovGuam's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management of the Government of Guam, others within the entity, the Office of Public Accountability - Guam, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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

June 29, 2012

# GOVERNMENT OF GUAM

## Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2011

<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture	\$ 116,299,610
U.S. Department of Commerce	1,674,941
U.S. Department of Defense	5,819,855
U.S. Department of Housing and Urban Development	368,041
U.S. Department of the Interior	20,010,461
U.S. Department of Justice	5,393,179
U.S. Department of Labor	6,004,842
U.S. Department of Transportation	49,552,974
National Foundation on the Arts and the Humanities	396,801
U.S. Environmental Protection Agency	2,623,502
U.S. Department of Energy	4,531,536
U.S. Department of Education	99,357,562
U.S. Department of Health and Human Services	51,520,923
Corporation for National and Community Service	1,297,717
U.S. Department of Homeland Security	<u>4,836,380</u>
GRAND TOTAL	\$ <u><u>369,688,324</u></u>

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



# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 222,782
10.156	Federal-State Marketing Improvement Program	-
10.170	Specialty Crop Block Grant Program - Farm Bill	136,871
10.551	Supplemental Nutrition Assistance Program	105,440,717
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	8,637,526
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,537,962
10.561	ARRA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	76,147
10.572	WIC Farmers' Market Nutrition Program (FMNP)	68,288
10.664	Cooperative Forestry Assistance	163,937
10.675	Urban and Community Forestry Program	156
10.676	Forest Legacy Program	-
10.678	Forest Stewardship Program	-
10.680	Forest Health Protection	-
10.766	Community Facilities Loans and Grants	-
10.912	Environmental Quality Incentives Program	-
10.914	Wildlife Habitat Incentive Program	15,224
10.950	Agricultural Statistics Reports	-
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	\$ <u>116,299,610</u>
U.S. DEPARTMENT OF COMMERCE		
11.307	Economic Adjustment Assistance	\$ 5,795
11.407	Interjurisdictional Fisheries Act of 1986	11,950
11.419	Coastal Zone Management Administration Awards	928,721
11.426	Financial Assistance for National Centers for Coastal Ocean Science	129,210
11.437	Pacific Fisheries Data Program	56,405
11.454	Unallied Management Projects	5,027
11.463	Habitat Conservation	-
11.467	Meteorologic and Hydrologic Modernization Development	44,571
11.555	Public Safety Interoperable Communications Grant Program	493,262
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ <u>1,674,941</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 57,076
12.401	National Guard Military Operations and Maintenance (O&M) Projects	2,996,861
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	2,308,916
12.613	Growth Management Planning Assistance	<u>457,002</u>
U.S. DEPARTMENT OF DEFENSE TOTAL		<u>\$ 5,819,855</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.225	Community Development Block Grant/Special Purpose Grant	\$ 65,418
14.235	Supportive Housing Program	<u>302,623</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL		<u>\$ 368,041</u>
U.S. DEPARTMENT OF THE INTERIOR		
15.605	Sport Fish Restoration Program	\$ 1,348,885
15.608	Fish and Wildlife Management Assistance	2,644
15.611	Wildlife Restoration	260,791
15.615	Cooperative Endangered Species Conservation Fund	234,984
15.634	State Wildlife Grants	159,201
15.650	Research Grants (Generic)	198
15.875	Economic, Social, and Political Development of the Territories	17,659,242
15.904	Historic Preservation Fund Grants-In-Aid	344,516
15.916	Outdoor Recreation-Acquisition, Development and Planning	<u>-</u>
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 20,010,461</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF JUSTICE		
16.013	Violence Against Women Act Court Training and Improvement Grants	\$ 84,390
16.017	Sexual Assault Services Formula Program	19,497
16.523	Juvenile Accountability Block Grants	84,916
16.527	Supervised Visitation, Safe Havens for Children	64,176
16.532	Part E_National Priority Program Grants	194,428
16.540	Juvenile Justice and Delinquency Prevention-Allocation to States	2,698
16.548	Title V - Delinquency Prevention Program	9,135
16.575	Crime Victim Assistance	317,710
16.579	Edward Byrne Memorial Formula Grant Program	78,014
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	111,967
16.588	Violence Against Women Formula Grants	410,410
16.588	ARRA Violence Against Women Formula Grants	422,422
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	-
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	72,536
16.593	Residential Substance Abuse Treatment for State Prisoners	1,972
16.606	State Criminal Alien Assistance Program	557,438
16.609	Project Safe Neighborhoods	44,338
16.710	Public Safety Partnership and Community Policing Grants	6,530
16.710	ARRA Public Safety Partnership and Community Policing Grants	339,625
16.727	Enforcing Underage Drinking Laws Program	208,755
16.738	Edward Byrne Memorial Justice Assistance Grant Program	641,289
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	84,388
16.744	Anti-Gang Initiative Program	14,905
16.803	Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	10,032
16.803	ARRA Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	<u>1,611,608</u>
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 5,393,179</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	\$ 65,787
17.005	Compensation and Working Conditions	44,699
17.207	Employment Service/Wagner-Peyser Funded Activities	284,883
17.207	ARRA Employment Service/Wagner-Peyser Funded Activities	17,463
17.235	Senior Community Service Employment Program	1,232,763
17.235	ARRA Senior Community Service Employment Program	-
17.258	WIA Adult Program	411,603
17.258	ARRA WIA Adult Program	228,598
17.259	WIA Youth Activities	984,575
17.259	ARRA WIA Youth Activities	302,866
17.260	WIA Dislocated Workers	749,729
17.260	ARRA WIA Dislocated Workers	1,238,528
17.266	Work Incentive Grants	51,729
17.273	Temporary Labor Certification for Foreign Workers	77,485
17.504	Consultation Agreements	239,888
17.801	Disabled Veterans' Outreach Program (DVOP)	74,246
	U.S. DEPARTMENT OF LABOR TOTAL	\$ <u>6,004,842</u>
U.S. DEPARTMENT OF TRANSPORTATION		
20.205	Highway Planning and Construction	\$ 37,051,985
20.205	ARRA Highway Planning and Construction	9,280,297
20.218	National Motor Carrier Safety	296,769
20.509	Formula Grants for Other Than Urbanized Areas	1,166,165
20.600	State and Community Highway Safety	1,757,575
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	183
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ <u>49,552,974</u>
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts-Partnership Agreements	\$ 267,924
45.025	ARRA Promotion of the Arts-Partnership Agreements	6,250
45.310	Grants to States	122,242
45.312	National Leadership Grants	385
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ <u>396,801</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.454	ARRA Water Quality Management Planning	\$ 87,809
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	2,404,909
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	98,886
66.805	ARRA Leaking Underground Storage Tank Trust Fund Corrective Action Program	<u>31,898</u>
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 2,623,502</u>
U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	\$ 5,740
81.041	ARRA State Energy Program	4,221,228
81.042	ARRA Weatherization Assistance for Low-Income Persons	13,839
81.128	ARRA Energy Efficiency and Conservation Block Grant Program	<u>290,729</u>
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 4,531,536</u>
U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 965,530
84.169	Independent Living - State Grants	8,568
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	3,924
84.186	Safe and Drug-Free Schools and Communities - State Grants	43,474
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	21,126
84.390	ARRA Rehabilitation Services -Vocational Rehabilitation Grants to States, Recovery Act	513,391
84.394	ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	65,773,895
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	11,509,559
84.398	ARRA Independent Living State Grants, Recovery Act	11,988
84.402	ARRA Consolidated Grants to the Outlying Areas, Recovery Act	359,999
84.410	Education Jobs Fund	<u>20,146,108</u>
	U.S. DEPARTMENT OF EDUCATION TOTAL	<u>\$ 99,357,562</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 13,583
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	44,099
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Svcs	32,680
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Ctrs	886,775
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,616,346
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	<u>255,198</u>
	BALANCE FORWARD	<u>2,848,681</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
	BALANCE FORWARD	\$ 2,848,681
93.052	National Family Caregiver Support, Title III, Part E	78,222
93.053	Nutrition Services Incentive Program	392,410
93.069	Public Health Emergency Preparedness	956,009
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional	1,050,181
93.110	Maternal and Child Health Federal Consolidated Programs	-
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	489,266
93.127	Emergency Medical Services for Children	38,927
93.136	Injury Prevention and Control Research and State and Community Based Programs	11,765
93.150	Projects for Assistance in Transition from Homelessness (PATH)	50,424
93.217	Family Planning - Services	364,696
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	1,178,585
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	503,493
93.268	Immunization Grants	1,132,318
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,242,921
93.296	State Partnership Grant Program to Improve Minority Health	131,479
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	94,433
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	35,865
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) Communities Putting Prevention to Work	14,403
93.525	State Planning and Establishment Grants for the Affordable Care Act's (ACA) Exchanges	11,129
93.556	Promoting Safe and Stable Families	-
93.558	Temporary Assistance for Needy Families	4,749,630
93.563	Child Support Enforcement	2,825,589
93.575	Child Care and Development Block Grant	5,548,137
93.597	Grants to States for Access and Visitation Programs	74,158
93.630	Developmental Disabilities Basic Support and Advocacy Grants	264,791
93.667	Social Services Block Grant	2,727,202
93.703	ARRA - Grants to Health Center Programs	-
93.705	ARRA Aging Home-Delivered Nutrition Services for States	151,608
93.707	ARRA Aging Congregate Nutrition Services for States	-
93.710	ARRA - Community Services Block Grant	(24,194)
93.712	ARRA - Immunization	151,184
93.713	ARRA Child Care and Development Block Grant	243,322
93.719	ARRA State Grants to Promote Health Information Technology	449,469
93.723	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	62,063
93.767	Children Health Insurance Program	4,177,637
93.778	Medical Assistance Program	14,798,848
93.778	ARRA Medical Assistance Program	1,833,582
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	116,707
	BALANCE FORWARD	\$ 48,774,940

See accompanying notes to Schedule of Expenditures of Federal Awards.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 48,774,940
93.917	HIV Care Formula Grants	241,091
93.928	Special Projects of National Significance	-
93.940	HIV Prevention Activities_Health Department Based	445,311
93.941	HIV Demonstration, Research, Public and Professional Education Projects	33,630
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	-
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	15,673
93.958	Block Grants for Community Mental Health Services	177,368
93.959	Block Grants for Prevention and Treatment of Substance Abuse	934,519
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	153,873
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	-
93.991	Preventive Health and Health Services Block Grant	207,660
93.994	Maternal and Child Health Services Block Grant to the States	<u>536,858</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	TOTAL	<u>\$ 51,520,923</u>
94.003	State Commissions	\$ 216,728
94.006	AmeriCorps	1,062,193
94.006	ARRA AmeriCorps	-
94.009	Training and Technical Assistance	<u>18,796</u>
CORPORATION FOR NATIONAL AND COMMUNITY		
	SERVICE TOTAL	<u>\$ 1,297,717</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	\$ 202,110
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	934,672
97.039	Hazard Mitigation Grant	972,169
97.042	Emergency Management Performance Grants	654,199
97.047	Pre-Disaster Mitigation	69,600
97.067	Homeland Security Grant Program	1,493,981
97.078	Buffer Zone Protection Program (BZPP)	11,783
97.082	Earthquake Consortium	35,846
97.089	Real ID Program	<u>462,020</u>
U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL		<u>\$ 4,836,380</u>
GRAND TOTAL		<u>\$ 369,688,324</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, 2011

### 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. Environmental Protection Agency
- National Foundation on the Arts and the Humanities

### 2. Summary of Significant Accounting Policies

#### a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include adjustments from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

All 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 General Fund of the Government of Guam and food stamps electronic benefits transfer (EBT) during the period.



# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

### 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, 2011 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, 2011.

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 2011 grant programs are based on 2011 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. 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, 2011, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
SNAP EBT benefit payments	\$ <u>105,440,192</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>105,440,192</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

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

3. Noncash Awards, Continued

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 approximately 16.38 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2010.

4. 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, 2011, GovGuam's expenditures during the fiscal year and related grant award notifications are as follows:

<u>CFDA</u>	<u>Grant Amount</u>	<u>FY 2011 Expenditures</u>
10.561	\$ 86,577	\$ 76,147
16.588	661,510	422,422
16.710	1,817,536	339,625
16.801	212,000	0
16.803	4,972,500	1,611,608
17.207	185,297	17,463
17.258	554,734	228,598
17.259	1,383,998	302,866
17.260	1,608,729	1,238,528
20.205	19,560,000	9,280,297
45.025	25,000	6,250
66.454	200,000	87,809
66.805	138,000	0
81.041	19,098,000	4,221,228
81.042	1,431,132	13,839
81.127	166,000	0
81.128	9,593,500	290,729
84.390	554,268	513,391
84.394	75,742,784	64,386,518
84.397	32,240,353	11,509,559
84.398	22,523	11,988
93.703	1,028,379	151,608
93.710	1,230,195	0
93.712	251,656	151,184
93.713	3,740,906	243,322
93.719	1,600,000	449,469
93.723	150,000	62,063
93.778	<u>5,405,000</u>	<u>1,833,582</u>
	\$ <u>183,660,577</u>	\$ <u>97,810,092</u>

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, 2011, \$28.2 million of federal funds not subject to continuing compliance requirements were received, as follows:

**GOVERNMENT OF GUAM**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2011

4.	<u>American Recovery and Reinvestment Act of 2009 (ARRA), Continued</u>	
	Making Work Pay Tax Credit	\$ 17,432,500
	Additional Child Tax Credit	8,914,415
	Recovery Rebates	<u>1,942,408</u>
	Total ARRA receipts not included in the Schedule	\$ <u>28,289,323</u>

## GOVERNMENT OF GUAM

### Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2011

	<u>2011</u> <u>Expenditures</u>
Federal contributions, as reported in the 2011 financial statements:	
Federal Grants Assistance Fund, expenditures	\$ 299,402,644
Less local match and contributions	(25,024,530)
Plus transfers out	<u>7,100,000</u>
Federal expenditures, transfers, and other uses	281,478,114
<u>CFDA #</u>	
Guam Department of Education:	
84.394    State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	65,773,895
84.410    Education Jobs Fund	20,146,108
Superior Court of Guam:	
16.013    Violence Against Women Act Court Training and Improvement Grants	84,390
16.579    Edward Byrne Memorial Formula Grant Program	78,014
84.402    Consolidated Grants to the Outlying Areas, Recovery Act	359,999
Fund 105:	
93.224    Consolidated Health Centers	1,178,585
Other federal expenditures	<u>589,219</u>
Total Federal Expenditures Subject to Audit	\$ <u>369,688,324</u>

**GOVERNMENT OF GUAM**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YEAR ENDED SEPTEMBER 30, 2011**

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2011

**Part I - Summary of Auditors' Results Section**

*Financial Statements*

- |                                                              |             |
|--------------------------------------------------------------|-------------|
| 1. Type of auditors' report issued:                          | Unqualified |
| 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 # 93.558                                                                                                              | Qualified   |
| CFDA # 93.778                                                                                                              | Qualified   |
| CFDA # 97.012                                                                                                              | Qualified   |
| All other major programs                                                                                                   | Unqualified |
| 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:                                                                                       |             |

CFDA

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
----------------	-------------------------------------------

- |               |                                                                               |
|---------------|-------------------------------------------------------------------------------|
| SNAP Cluster: |                                                                               |
| 10.551        | Supplemental Nutrition Assistance Program (SNAP)                              |
| 10.561        | State Administrative Matching Grants for the SNAP                             |
| 14.235        | Supportive Housing Program                                                    |
| 15.875        | Economic, Social and Political Development of the Territories                 |
| WIA Cluster:  |                                                                               |
| 17.258        | WIA Adult Program                                                             |
| 17.259        | WIA Youth Activities                                                          |
| 17.260        | WIA Dislocated Workers                                                        |
| 20.205        | Highway Planning and Construction                                             |
| 81.041        | State Energy Program                                                          |
| SFSF Cluster: |                                                                               |
| 84.394        | State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| 84.397        | State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act    |
| 84.410        | Education Jobs Fund                                                           |
| 93.558        | Temporary Assistance for Needy Families                                       |
| 93.767        | Children's Health Insurance Program                                           |
| 93.778        | Medical Assistance Program (Medicaid)                                         |
| 97.012        | Boating Safety Financial Assistance                                           |

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

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

**Part II – Financial Statement Findings Section**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2011-05	Fixed Assets	\$ 0
2011-06	Post-Closing Adjustments	\$ 0
2011-07	Adjustments to Fund Balance	\$ 0
2011-08	Unbudgeted Expenditures	\$ 0
2011-09	Revenues	\$ 0
2011-10	Income Tax Refund Liability Account	\$ 0

**Part III - Federal Award Findings and Questioned Cost Section**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2011-01	15.875 Cash Management	\$ 0
2011-04	15.875 Equipment and Real Property Management	0
2011-01	20.205 Cash Management	0
2011-04	20.205 Equipment and Real Property Management	0
2011-02	93.558 Eligibility	13,786
2011-03	93.558 Reporting	0
2011-01	93.778 Cash Management	0
2011-02	93.778 Eligibility	28,004
2011-03	97.012 Reporting	0
2011-04	97.012 Equipment and Real Property Management	<u>0</u>
Total Federal Questioned Costs		\$ <u>41,790</u>

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-01  
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
CFDA Program: 20.205 DOT Highway Planning and Construction  
CFDA Program: 93.778 HHS Medical Assistance Program  
Area: Cash Management  
Questioned Costs: \$0

### Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Furthermore, any amount of interest from advances over \$100 should be returned to the Federal government.

### Condition:

For the following major programs, we noted noncompliance with applicable cash management requirements, as follows:

1. CFDA No. 15.875: For 6 (or 40%) of 15 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one to 30 days.
2. CFDA No. 20.205: For 7 (or 18%) of 39 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from one to 25 days.
3. CFDA No. 93.778: For 28 (or 39%) of 71 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded the approved clearance pattern, ranging from four to 33 days.

### Cause:

Government of Guam management did not fully monitor the timing of drawdowns and earning of interest.

### Effect:

The Government of Guam is in noncompliance with applicable cash management requirements. Interest earned on advances and the interest liability for each major program is as follows:

<u>CFDA No.</u>	<u>Interest Earned on Advances</u>	<u>Interest Liability</u>
15.875	\$ 114	\$ 14
20.205	\$ 123	\$ 23
93.778	\$ 113	\$ 13

No questioned cost exists because the projected interest liability does not exceed \$10,000 for each major program. Although no questioned cost is associated with this finding, the interest earned exceeds \$100 for each major program; therefore, this finding is considered reportable.

### Recommendation:

The Controller should more closely monitor the timing of drawdowns and earning of interest so that the time elapsed between the receipt of Federal funds and the clearance of disbursed checks is in accordance with the approved Treasury-State Agreement. Furthermore, interest earned on advances in excess of \$100 should be remitted to the Federal Government.



# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.:	2011-01, 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:	93.778 HHS Medical Assistance Program
Area:	Cash Management
Questioned Costs:	\$0

### Auditee Response and Corrective Action Plan:

20.205

Generally, we agree with the audit findings relative to the cash management that some checks have cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. The Department of Administration does not control the drawdown request vouchering method. To minimize the lapse between the check clearance and the drawdown request, the Department of Public Works, Department of Administration and Richelle Takara of Federal Highway Administration have been coordinating to improve the existing process and procedures.

15.875 and 93.778

Generally, we agree with the audit findings relative to the cash management that some checks had cleared beyond the approved clearance of disbursed checks in accordance with the approved Treasury-State Agreement. We have adopted the revised Standard Operating Procedure (SOP); however, we do not control as to when these disbursed checks were to be presented for payments at the designated bank; we are encouraging all federal grants vendors to receive their payments electronically, in conformance with our SOPs.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, 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.

Conditions:

**CFDA # 93.558**

1. Out of 56 case files tested, we noted the following noncompliance applicable to CFDA # 93.558:

- a) For 12 (or 21%), no work registration documents were provided to substantiate compliance with the work registration policy for case files 30-78202-06, 30-30082-01, 30-59154-01, 30-45700-03, 30-57868-01, 30-71295-04, 30-29085-01, 30-44092-01, 30-91943-03, 30-80650-01, 30-37704-04, and 30-60781-01.
- b) For 8 or (14%), no school records or equivalent documents were provided to substantiate school attendance by school-aged household members for case files 30-30082-01, 30-70983-02, 30-55574-05, 30-74981-08, 30-57868-01, 30-60781-01, 30-74192-06, and 30-76960-05.
- c) For 2 (or 4%), income earned exceeds the allowable ceiling. Therefore, the household is ineligible to receive benefits in FY 2011, as follows:

<u>Case No.</u>	<u>Questioned Costs</u>
30-77610-03	\$ 1,017
30-78202-06	113
	<u>\$ 1,130</u>

- d) For 6 (or 11%), the household's maximum 60-month benefit period ended prior to FY 2011. Therefore, the household is ineligible to receive benefits in FY 2011, as follows:

<u>Case No.</u>	<u>Questioned Costs</u>
30-30082-01	\$ 2,856
30-49985-01	1,515
30-60925-01	3,255
30-71422-08	1,356
30-75404-06	1,158
30-80410-01	550
	<u>\$10,690</u>

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.558 Temporary Assistance for Needy Families  
Grant Number: G-1101GUTANF  
Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
Grant Number: 75X0512, 75X0518  
Questioned Costs: \$28,004

Area: Eligibility

### Conditions, Continued:

- e) For 2 (or 4%), based on our recalculations of income eligibility, the household received an overpayment of benefits, as follows:

<u>Case No.</u>	<u>Questioned Costs</u>
30-75333-08	\$ 768
30-77184-03	<u>1,198</u>
	\$ <u>1,966</u>

### **93.558 and 93.778**

2. Out of 75 case files tested, we noted the following noncompliance applicable to both CFDA # 93.558 and CFDA # 93.778:

- a) For 69 (or 92%), aggregating \$1,988,633 in total claims, we noted there is no documentation to indicate that the income and eligibility verification system (IEVS) was used to verify eligibility.
- b) For 24 (or 32%), case file documentation is insufficient or inconsistent, as follows:
- The social security number for certain household members is different from the social security number in AGUPA for case numbers 30-30082-01, 30-90699-03, and 30-76428-03.
  - The social security card is not documented for all household members for the following case numbers: 30-70983-02, 30-45895-02, 30-79344-06, 30-37704-04, 30-45700-03, 30-59227-05, 30-71295-04, 30-72122-05, 30-72122-05, 30-78202-06, 30-79550-01, 30-91108-04, 30-92049-03, 33-46455-02, and 30-80650-01.
  - The birth certificate or equivalent record is not documented to substantiate the citizenship of a certain household member for case number 30-79344-06.
  - The names of household members on identification documents, such as birth certificates and social security cards, do not match corresponding names in AGUPA for case numbers 30-55574-05, 30-74981-08, 30-44092-01, 30-91779-05, and 30-80650-01.
  - The application and/or public assistance worksheet is not signed reviewed or approved by an Eligibility Specialist for case numbers 30-76428-03 and 30-75404-06.
- c) For 5 (or 7%), the renewal application is not documented for case numbers 33-76162-02, 30-60925-01, 30-73195-07, 30-44092-01, and 33-71421-01.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

Conditions, Continued:

- d) For 10 (or 13%), no case file or applicable renewal application was provided for case numbers 30-49985-01, 30-80410-01, 30-71422-08, 30-10037-01, 30-10169-01, 30-59402-06, 30-60343-04, 30-77249-03, 30-80478-05, and 33-71421-01.
- e) For 7 (or 9%), liquid resources, such as savings accounts, were identified; however, no balance is specified for purposes of renewal applications for case numbers 30-75404-06, 30-45700-03, 30-72122-05, 30-72122-05, 30-91369-04, 33-44645-04, and 33-90264-01.

**93.778**

- 3. For 1 (or 1%) of 75 case files tested, the calculated gross monthly income of \$1,865 for working household members exceeds the monthly income ceiling of \$1,526 for a household size of three. As a result, the household is ineligible to receive benefits, as follows:

<u>Case No.</u>	<u>Questioned Costs</u>
33-76162-02	\$ 56,009
X Federal Share	<u>50%</u>
Total Questioned Cost	\$ <u>28,004</u>

Cause:

Government of Guam management experienced issues with test attempts to implement the IEVS system, and there are weak monitoring controls and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. No questioned cost is presented for Conditions 1(a), 1(b), and 2, as we are unable to quantify the extent of noncompliance. For all other conditions, questioned costs exist, as follows:

<u>Condition #</u>	<u>CFDA # 93.558 Questioned Costs</u>	<u>CFDA # 93.558 Questioned Costs</u>
1(c)	\$ 1,130	\$ -
1(d)	10,690	-
1(e)	1,966	-
3	<u>-</u>	<u>28,004</u>
Totals	\$ <u>13,786</u>	\$ <u>28,004</u>

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

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:

**Condition 1(a):**

<i>Case #</i>	<i>Response</i>
30-29085-01	Agree with the finding.
30-37704-04	Disagree. Work Registration not required as adult member is a protective payee.
30-44092-01	Disagree. Member R is not part of the household as he was disqualified for failure to comply with work component under Work Program Section.
30-45700-03	Agree with the finding.
30-57868-01	Agree with the finding.
30-59154-01	Disagree. Head of household has earning, spouse was a CWEP and daughter E was terminated as of 3/409
30-60781-01	Agree with the finding.
30-71295-04	Agree with the finding.
30-78202-06	Disagree. This is a child only case and the adult members are not required to work register as they are not receiving benefits.
30-80650-01	Agree with the finding.
30-91943-03	Agree with the finding.

**Condition 1(b):**

<i>Case #</i>	<i>Response</i>
30-30082-01	Disagree. Client tried to obtain school verification, but was not able to because there is an outstanding payment for lost books.
30-55574-05	Agree with finding.
30-57868-01	Agree with finding.
30-60781-01	Agree with finding.
30-70983-02	Agree with finding.
30-74192-06	Agree with finding.
30-74981-08	Agree with finding.
30-76960-05	Agree with finding.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

Auditee Response and Corrective Action Plan, Continued:

**Condition 1(c):**

<i>Case #</i>	<i>Response</i>
30-77610-03	Agree with finding.
30-78202-06	Agree with finding.

**Condition 1(d):**

<i>Case #</i>	<i>Response</i>
30-30082-01	Disagree. The head of household is eligible for Aid to the Permanently and Totally Disabled (APTD) thus the household is exempt from the 60 month limit.
30-49985-01	Disagree. Client only has 38 months on TANF. The months on General Assistance (GA) is not counted towards the 60 months for TANF.
30-60925-01	Disagree. Spouse GC approved for APTD. Thus, household is exempt from the 60 months limit.
30-71422-08	Disagree. This is a child only case and is not subject to the 60 month limit.
30-75404-06	Disagree. This is a child only case and is not subject to the 60 month limit.
30-80410-01	Disagree. The household has 59 months of TANF and case terminated 9/2011. The household also has 3 months of General Assistance but that does not count towards the 60 months limit.

**Condition 1(e):**

<i>Case #</i>	<i>Response</i>
30-75333-08	Agree with finding.
30-77184-03	Agree with finding.

**Condition 2(a):**

The IEVS system was not available in the previous eligibility system (AGUPA) for the eligibility staff to use during the period of review.

**Condition 2(b) – First Bullet:**

<i>Case #</i>	<i>Response</i>
30-30082-01	SSN was corrected
30-76428-03	SSN was corrected
30-90699-03	SSN was corrected

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

Auditee Response and Corrective Action Plan, Continued:

**Condition 2(b) – Second Bullet:**

Case #	Response
30-37704-04	Although copy of social security card is not on file, there is record of a GHURA contract showing the SS numbers of all members which is verified by GHURA.
30-45700-03	Agree with findings.
30-45895-02	Although copy of social security card is not on file, there is record of a GHURA contract showing the SS numbers of all members which is verified by GHURA.
30-59227-05	Agree with findings.
30-70983-02	Although there is no SS Card, there is a copy of the member's Guam Driver's License with the SS Number on it.
30-71295-04	Although copy of social security card is not on file, there is record of a GHURA contract showing the SS numbers of all members which is verified by GHURA.
30-72122-05	Although copy of social security card is not on file, there is record of a GHURA contract showing the SS numbers of all members which is verified by GHURA.
30-72122-05	Although copy of social security card is not on file, there is record of a GHURA contract showing the SS numbers of all members which is verified by GHURA.
30-77249-03	Agree with findings.
30-78202-06	
30-79344-06	Agree with findings.
30-79550-01	Copy of SSC was obtained
30-80650-01	
30-91108-04	
30-92049-03	
33-46455-02	

**Condition 2(b) – Third Bullet:**

Case #	Response
30-77249-03	Agree with findings.
30-79344-06	Agree with findings.

**Condition 2(b) – Fourth Bullet:**

Case #	Response
30-44092-01	Name corrected
30-55574-05	Name corrected
30-74981-08	Name corrected
30-80650-01	
30-91779-05	Name corrected

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.558 Temporary Assistance for Needy Families  
 Grant Number: G-1101GUTANF  
 Questioned Costs: \$13,786

CFDA Program 93.778 Medical Assistance Program  
 Grant Number: 75X0512, 75X0518  
 Questioned Costs: \$28,004

Area: Eligibility

Auditee Response and Corrective Action Plan, Continued:

**Condition 2(b) – Fifth Bullet:**

<i>Case #</i>	<i>Response</i>
30-75404-06	Although the application was not signed the system documents that the ES processed and approved the case.
30-76428-03	Although the application was not signed the system documents that the ES processed and approved the case.

**Condition 2(c):**

<i>Case #</i>	<i>Response</i>
30-44092-01	R is the son and was disqualified for failure to work register. He was excluded for non-compliance.
30-60925-01	Agree.
30-73195-07	Household met the 60 months in 5/2010; thus no longer eligible to receive TANF.
33-71421-01	Agree.
33-71421-01	Agree.
33-76162-02	Disagree. Household's case terminated 3/2012 and client did not renew. Application dated 3/16/11 is in file.

Auditor Response:

For conditions with which the Government of Guam disagrees, we were not provided with accompanying documentation to effect resolution. Therefore, the finding remains.



# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-03  
CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
CFDA Program: U.S. DHS 97.012 Boating Safety Financial Assistance  
Area: Reporting  
Questioned Costs: \$0

### Criteria:

In accordance with applicable reporting requirements, such reports as ACF-199, ACF 209, and SF-425 should be prepared accurately and submitted, as applicable.

### Condition:

#### **1. CFDA # 93.558**

The following reports were not provided for examination:

- a) ACF-199, *TANF Data Report (OMB No. 0970-0309)*
- b) ACF 209, *SSP-MOE Data Report (OMB No. 0970-0309)*

#### **2. CFDA # 97.012**

No underlying record, such as a grant award document or other grantor communication, is available to support the amount of total Federal funds authorized reported in Form SF-425 in the amount of \$1,632,380.

### Cause:

Government of Guam management did not consistently monitor required reports for submission or accuracy in compliance with applicable reporting requirements.

### Effect:

The Government of Guam is in noncompliance with applicable reporting requirements.

### Recommendation:

Government of Guam management should strengthen monitoring controls over compliance with reporting requirements. Required reports should be accurately prepared, submitted, and maintained.

### Auditee Response and Corrective Action Plan:

#### **CFDA # 97.012**

The Guam Police Department has communicated with the grantor, the recommendation of maintaining accounting records to substantiate reported amounts authorized to carry out the requirements of the Recreational Boating Safety Program. Staff members will verify the amount of authorized funding for each fiscal year transmitted by official document and communication with the grantor. These documents will be maintained in an accounting file for review.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-03, Continued  
CFDA Program: U.S. HHS 93.558 Temporary Assistance for Needy Families Grant (TANF)  
CFDA Program: U.S. DHS 97.012 Boating Safety Financial Assistance  
Area: Reporting  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan:

*Name and job title of responsible personnel:*

Lieutenant Andrew B. Quitugua  
Boating Law Administrator  
Guam Police Department

*Specific corrective procedures to be performed:*

- 1) The Accounting Record will be made available for review
- 2) The Accounting Record will consist of:
  - a. Grant award documents for authorized amounts of funding.
  - b. Grant award documents specifying changes in authorized amounts of funding.
  - c. Documents revealing communication with grantor pertaining to authorized amounts of funding.
- 3) The Accounting Record will maintain all pertinent documents prepared and submitted, in compliance with State Recreational Boating Safety Program guidelines (USCG COMMANDANT PUBLICATION P16755.3A).
- 4) The Accounting Record will be retained in accordance with section: 6.9 Retention and access requirements for records, of the Recreational Boating Safety Program guide.

*Date for performance of corrective action:*

Performance date of this corrective action will be included in the 3<sup>rd</sup> Quarter Financial Report due July 31, 2012.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-04  
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories  
 CFDA Program: 20.205 DOT Highway Planning and Construction  
 CFDA Program: 97.012 DHS Boating Safety Financial Assistance  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$0

Criteria:

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.

Condition:

The Government of Guam has not performed the required comprehensive physical inventories of its property in FY 2011 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 2011 major programs is as follows:

		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</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	\$ 14,500	0	0	0	153,222	167,722
2.	14.235	0	0	0	0	0	0
3.	15.875	\$ 564,249	1,201,607	701,368	544,666	792,224	3,804,114
4.	17.258/259/260	0	0	0	0	0	0
5.	20.205	\$ 6,064,230	11,506,775	3,931,920	2,962,379	1,396,487	25,861,791
6.	81.041	0	0	0	0	0	0
7.	84.394/84.397	0	0	0	0	0	0
8.	84.410	0	0	0	0	0	0
9.	93.558	0	0	0	0	0	0
10.	93.767	0	0	0	0	0	0
11.	93.778	\$ 12,550	0	0	0	0	12,550
12.	97.012	\$ 11,296	70,329	173,766	133,888	12,813	402,092

Cause:

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.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-04, 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: 97.012 DHS Boating Safety Financial Assistance  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

### 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 2011 materiality levels: CFDA numbers 15.875, 20.205, and 97.012.

### Prior Year Status:

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

### Recommendation:

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

### Auditee Response and Corrective Action Plan:

We concur with the audit recommendation. The Department of Administration was recently approved a \$150,000 grant to purchase a fixed assets tracking system as well as staff to initiate the tagging process for the line agency inventory. The staffs have identified the inventory and will commence the tagging before the end of the fiscal year.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-05  
Area: Fixed Assets

### Criteria:

Transactions that are considered construction work in progress should be properly recorded. Upon completion, these assets should be capitalized. Furthermore, transactions that meet the capitalization threshold of \$50,000 per item purchased and are capitalizable in nature should be recorded as fixed assets.

### Condition:

The following projects were not initially recorded as construction work in progress (CWIP) during fiscal year 2011:

Layon Landfill	\$ 22,238,061
Southern Region Health Center	640,301
Northern Region Pool Complex	<u>2,129,098</u>
	\$ <u>25,007,460</u>

During the year ended September 30, 2011, two of these projects were completed and placed in service with final costs as follows:

Layon Landfill	\$ 65,741,886
Southern Region Health Center	<u>6,688,878</u>
	\$ <u>72,430,764</u>

A transfer from CWIP to capital assets was not effectuated.

### Cause:

The cause of this condition appears to be that substantial extra duties have been assigned to existing personnel. Due to the need for additional personnel well versed in accounting reconciliations and processes, projects such as the cash flow model required substantial attention of existing managers and therefore, sufficient time was not available to timely reconcile and investigate capital asset accounts. Additionally, substantial interface with DPW and other parties that perform engineering responsibilities within Gov Guam is required to document and understand the percentage of completion of various projects. Accounting personnel do not have access to this information and coordination with the respective parties has not routinely occurred.

### Effect:

An understatement of capital assets occurred prior to the proposed audit adjustment.

### Recommendation:

We recommend that account balances be timely reviewed and capitalizable transactions be recorded as fixed assets. Additionally, the Division of Accounts should investigate whether additional trained accountants may be required to allow for the timely investigation 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 that periodic reports be prepared documenting a project's percentage of completion.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-05, Continued  
Area: Fixed Assets

Prior Year Status:

The lack of properly recording capital assets was reported as a finding in the audit of GovGuam for fiscal year 2010.

Auditee Response and Corrective Action Plan:

We concur with the audit recommendation. The Department of Administration was recently approved a \$150,000 grant to purchase a fixed assets tracking system as well as staff to initiate the tagging process for the line agency inventory. The staffs have identified the inventory and will commence the tagging before the end of the fiscal year.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2011

Finding No.: 2011-06  
Area: Post-Closing Adjustments

Criteria:

Financial statements should reflect existing business circumstances and economic conditions in accordance with adopted accounting policies.

Supplier invoices and credit notes received at, before, or after the end of an accounting period are to be scrutinized and/or reconciled to ensure complete and consistent recording in the appropriate period and to be timely recognized in the financial statements.

Condition:

The financial statements included a significant number of post-closing adjustments approved seven to eight months subsequent to the fiscal year end.

Cause:

The cause of this condition appears to be that substantial extra duties have been assigned to existing personnel. Due to the need for additional personnel well versed in accounting reconciliations and processes, projects such as the cash flow model required substantial attention of existing managers and therefore, sufficient time was not available to timely reconcile all required accounts.

Effect:

Incorrect cutoff could lead to a material misstatement of the financial statements.

Financial statements may not reflect existing business circumstances and economic conditions in accordance with the adopted accounting policies.

Recommendation:

It appears that additional manager level personnel may be required to allow for timely reconciliation of all required accounts.

Prior Year Status:

The lack of timely recognition of accounting transactions resulting in post-closing adjustments was reported as a finding in the audit of GovGuam for fiscal year 2010.

Auditee Response and Corrective Action Plan:

We agree with the audit recommendation. The Department of Administration along with many agencies and departments of the Government of Guam have limited resources and staff. Staffing levels have not increased with the increased demand on government services and local mandates. Furthermore, given the financial condition of the Government of Guam, we do not anticipate that a significant increase in funding for additional personnel will materialize. As such, it is the intent of the Department of Administration to focus on coordinating existing personnel to maximize efforts to ensure timely review and reconciliations of accounts occur.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07  
Area: Adjustments to Fund Balance

Criteria:

Generally accepted accounting principles (GAAP) requires that adjustments should not be charged directly to fund balance but should instead be recorded as adjustments to current year revenues, expenditures or other financing sources or uses. Transactions which should be directly charged to fund balance should be limited to the following: corrections of prior period errors, changes in an accounting principle or changes in the application of an accounting principle, and retroactive changes resulting from the implementation of a new pronouncement issued by the GASB. Prior period errors are defined as mathematical mistakes, mistakes in the application of an accounting principle, or oversight or misuse of facts that existed at the time the financial statements were prepared.

Condition:

During the year ended September 30, 2011, certain adjustments were made directly to fund balance within various funds that resulted in current year beginning fund balances not agreeing to the prior year ending fund balances as follows:

Fund #:	<u>100</u>	<u>254</u>	<u>602</u>	<u>619</u>
CY Beginning Balance	\$ (331,467,787)	\$ 133,722,912	\$ 3,190,043	\$ 19,929
PY Ending Balance	<u>(321,337,264)</u>	<u>135,271,973</u>	<u>3,086,431</u>	<u>(155,481)</u>
Variance	<u>\$ 10,130,523</u>	<u>\$ (1,549,061)</u>	<u>\$ 103,612</u>	<u>\$ 175,410</u>

The adjustments for Fund #s 100 and 254 pertained to fiscal year 2011 expenditures recorded directly to fund balance by J110615383, J11PC00004, and J11PC00005 instead of to an appropriation account. The adjustments for Fund #s 602 and 619 pertained to the reversal of expenditures accrued in fiscal year 2010 recorded directly to fund balance by J110615383.

Cause:

With respect to the recording of fiscal year 2011 expenditures directly to fund balance, the cause of this condition is the lack of an established appropriation account to charge such expenditures. In the case of the reversal of expenditures accrued in fiscal year 2010, the cause of this condition is the lack of reconciliation of current year beginning fund balances to prior year ending fund balances.

Effect:

The effect of the above condition is an understatement of current year expenditures for Fund #s 100 and 254, and an overstatement of current year expenditures for Fund #s 602 and 619. This condition was corrected through the audit process by proposed reclassification entries.



**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07, Continued  
Area: Adjustments to Fund Balance

Recommendation:

We recommend that adjustments to fund balance be limited to those allowed under GAAP.

Auditee Response and Corrective Action Plan:

We concur with the audit recommendation. DOA will work diligently with BBMR to establish and load allotments necessary to record transactions in accordance with GAAP.

**GOVERNMENT OF GUAM**

**Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011**

Finding No.: 2011-08  
Area: Unbudgeted Expenditures

Criteria:

Budgetary control is ascertained through the annual Appropriation Act as authorized by the Guam Legislature. The annual budget process is established under Guam law as provided within 5 GCA Chapter 4. Budgetary controls are established to provide a framework under which the Executive Branch can operate fiscal responsibility and avoid overspending of public resources.

Condition:

During the year ended September 30, 2011, expenditures totaling \$27,300,153 were recorded directly as non-appropriated expenditures in the general ledger.

Cause:

The cause of the above condition is the lack of an appropriation approved by the Legislature and an established appropriation account initiated by the Bureau of Budget and Management Research.

Effect:

The effect of the above condition is the incurrence of expenditures in excess of budgetary limits.

Recommendation:

We recommend that budgetary controls be adhered to through established appropriation accounts prior to the incurrence of expenditures.

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, 2011

Finding No.: 2011-09  
Area: Revenues

Criteria:

The Government of Guam should enforce collection of import and use taxes.

Condition:

The Guam Customs and Quarantine Agency receives over \$4M of annual revenues. Over the years, the receivable balance due from vendors for import and use taxes has continued to increase. At September 30, 2011, the recorded receivable balance amounted to \$4,764,970.

Cause: A standard method of enforced collection has not been formulated.

Effect:

The Government of Guam will continue to write-off uncollected tax receipts.

Recommendation:

We recommend that the Guam Customs and Quarantine Agency work with the Guam Department of Revenue and Taxation to collect unpaid import and use taxes.

Auditee Response and Corrective Action Plan:

We concur with the audit recommendation. We have already established communication with the management of the Guam Customs and Quarantine Agency and the Department of Revenue and Taxation to determine methods to increase and enforce collections. Effort from the Guam Customs and Quarantine Agency to collect taxes is made at the points of entry. It should be noted that for companies that utilize freight forwarders to ship in their goods, a credit policy must be extended to them, the company importing the goods. Interstate commerce law does not allow the Government to assess and collect taxes on freight forwarders and cannot hold imported goods at the point of entry until collection of the importation tax is made. Much of the receivable referenced in the condition relates to companies that have utilized freight forwarders. As mentioned above, we will be working with the Guam Customs and Quarantine Agency and the Department of Revenue and Taxation to increase and enforce collections on these past due importation taxes. We anticipate having a revised collection agreement within fiscal year 2012.

**GOVERNMENT OF GUAM**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-10  
Area: Income Tax Refund Liability Account

Criteria:

The Department of Revenue and Taxation (DRT) should possess the capability to scan in tax payer returns to allow for timely computations of the income tax refund liability.

Condition:

DRT appears to have attempted to acquire a scanner but such is not functioning as designed. Therefore, DRT appears to be formulating the income tax refund liability based on manually processing tax returns.

Cause:

The acquired scanner has not apparently functioned with existing systems.

Effect:

The effect of this condition is that substantial manpower is devoted to the manual processing of returns to be able to determine the amount of the income tax refund liability.

Recommendation:

DRT should request sufficient funds to automate the tax return process.

Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits  
Year Ended September 30, 2011

	<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 07	\$ 1,058,282	\$ 113,634	\$ 944,648
Unresolved Questioned Costs FY 08	1,251,545	809,146	442,399
Unresolved Questioned Costs FY 10	<u>3,734</u>	<u>3,734</u>	<u>-</u>
	\$ <u>2,313,561</u>	\$ <u>926,514</u>	1,387,047
Add Questioned Costs for FY 2011			<u>41,790</u>
Total Unresolved Questioned Costs at September 30, 2011			\$ <u>1,428,837</u>

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Year Ended September 30, 2011

<u>CFDA #</u>		<u>2011</u>	<u>2008</u>	<u>2007</u>	<u>Total</u>
15.875	Compact Impact	\$ -	\$ -	\$ 821,288	\$ 821,288
20.205	Highway Planning & Construction	-	-	12,536	12,536
93.558	TANF	13,786	-	-	13,786
93.778	Medicaid	28,004	388,976	-	416,980
	Nonmajor Programs	<u>-</u>	<u>53,423</u>	<u>110,824</u>	<u>164,247</u>
	Totals	<u>\$41,790</u>	<u>\$ 442,399</u>	<u>\$ 944,648</u>	<u>\$ 1,428,837</u>

**GOVERNMENT OF GUAM**

Summary of Unresolved Questioned Costs Arising from  
Prior Year Single Audits, Continued  
Summary Schedule of Resolved Prior Audit Findings as  
Represented by the Government of Guam  
Year Ended September 30, 2011

<u>Finding #</u>	<u>CFDA #</u>		<u>Questioned Costs Resolved in 2011</u>	<u>Responding Office</u>
2007-07	20.205	\$	113,634	OMB Circular A-133, Section .315(b)(4)
2008-16	97.004	\$	809,146	OMB Circular A-133, Section .315(b)(4)
2010-04	93.575/93.718	\$	<u>3,734</u>	U.S. DHHS, December 22, 2011
Total Questioned Costs Resolved		\$	<u>926,514</u>	