

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2012

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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, 2012, which collectively comprise GovGuam's basic financial statements and have issued our report thereon dated June 26, 2013. Our report includes an explanatory paragraph concerning the correction of an error and a reference to other auditors. 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 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

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 an 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 2012-4, 2012-5 and 2012-7 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 item 2012-6 to be significant deficiencies.

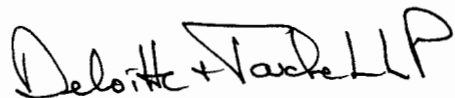
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of GovGuam in a separate letter dated June 26, 2013.

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 26, 2013

**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 GovGuam's major federal programs for the year ended September 30, 2012. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 17 through 35). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GovGuam's management. Our responsibility is to express an opinion on the GovGuam'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, 2012. 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 2012-1 to 2012-3 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 18). 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 compliance 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 84.397 State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act; CFDA Program 93.558 Temporary Assistance for Needy Families; and CFDA Program 93.778 Medical Assistance Program (Medicaid). Also in our opinion, the Government of Guam complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended September 30, 2012.

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.

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 2012-1 to 2012-3 to be material weaknesses.

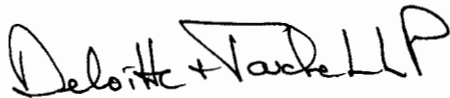
Schedule of Expenditures of Federal Awards

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 as of and for the year ended September 30, 2012, and have issued our report thereon dated June 26, 2013, which contained an unqualified opinion on those financial statements and which report included an explanatory paragraph concerning the correction of an error and a reference to other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise GovGuam's 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 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 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 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 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 26, 2013

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2012

<u>Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 123,407,222
U.S. Department of Commerce	1,797,635
U.S. Department of Defense	4,598,104
U.S. Department of Housing and Urban Development	275,264
U.S. Department of the Interior	27,127,340
U.S. Department of Justice	5,415,835
U.S. Department of Labor	5,610,934
U.S. Department of Transportation	44,182,288
National Foundation on the Arts and the Humanities	365,492
U.S. Environmental Protection Agency	2,854,779
U.S. Department of Energy	15,625,272
U.S. Department of Education	26,597,964
U.S. Department of Health and Human Services	61,109,127
Corporation for National and Community Service	1,526,106
U.S. Department of Homeland Security	<u>5,688,427</u>
 GRAND TOTAL	 <u>\$ 326,181,789</u>

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

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program Title</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 49,448	
10.170	Specialty Crop Block Grant Program - Farm Bill	34,414	
10.551	Supplemental Nutrition Assistance Program (SNAP)	113,301,540	\$ -
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	8,440,936	\$ -
10.561	State Administrative Matching Grants for the SNAP	1,273,980	\$ -
10.572	WIC Farmers' Market Nutrition Program (FMNP)	52,608	
10.578	WIC Grants to States (WGS)	6,866	
10.664	Cooperative Forestry Assistance	<u>247,430</u>	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 123,407,222</u>	
U.S. DEPARTMENT OF COMMERCE			
11.307	Economic Adjustment Assistance	\$ 40,490	
11.407	Interjurisdictional Fisheries Act of 1986	9,378	
11.419	Coastal Zone Management Administration Awards	1,021,162	
11.426	Financial Assistance for National Centers for Coastal Ocean Science	60,211	
11.437	Pacific Fisheries Data Program	32,624	
11.454	Unallied Management Projects	12,951	
11.467	Meteorologic and Hydrologic Modernization Development	47,716	
11.482	Coral Reef Conservation Program	116,204	
11.555	Public Safety Interoperable Communications Grant Program	<u>456,899</u>	
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 1,797,635</u>	
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 72,914	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,001,843	\$ -
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	1,470,849	
12.613	Growth Management Planning Assistance	<u>52,498</u>	
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 4,598,104</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.225	Community Development Block Grant/Special Purpose Grant	\$ 46,777	
14.235	Supportive Housing Program	204,810	
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	<u>23,677</u>	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	<u>\$ 275,264</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF THE INTERIOR			
15.605	Sport Fish Restoration Program	\$ 1,315,991	
15.611	Wildlife Restoration	270,764	
15.615	Cooperative Endangered Species Conservation Fund	208,258	
15.634	State Wildlife Grants	234,903	
15.875	Economic, Social, and Political Development of the Territories	24,773,118	\$ 21,363,638
15.904	Historic Preservation Fund Grants-In-Aid	<u>324,306</u>	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	<u>\$ 27,127,340</u>	
U.S. DEPARTMENT OF JUSTICE			
16.013	Violence Against Women Act Court Training and Improvement Grants	\$ 87,538	
16.017	Sexual Assault Services Formula Program	23,369	
16.523	Juvenile Accountability Block Grants	198,290	\$ -
16.527	Supervised Visitation, Safe Havens for Children	30,324	
16.532	Part E_National Priority Program Grants	72,678	
16.548	Title V - Delinquency Prevention Program	10,323	
16.554	Youth Gang Prevention	47,382	
16.575	Crime Victim Assistance	401,171	
16.579	Edward Byrne Memorial Formula Grant Program	45,189	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	37,437	
16.588	Violence Against Women Formula Grants	669,473	
16.588	ARRA Violence Against Women Formula Grants	179,616	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Prog	153,338	
16.593	Residential Substance Abuse Treatment for State Prisoners	9,674	
16.606	State Criminal Alien Assistance Program	532,059	
16.609	Project Safe Neighborhoods	68,353	
16.710	Public Safety Partnership and Community Policing Grants	12,711	
16.710	ARRA Public Safety Partnership and Community Policing Grants	462,376	
16.727	Enforcing Underage Drinking Laws Program	47,801	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	777,836	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	27,534	
16.750	Support for Adam Walsh Act Implementation Grant Program	151,959	
16.803	ARRA Recovery Act - Edward Byrne Memorial JAG Program/Grants to States and Territories	848,777	
16.810	ARRA Guam Criminal Justice Information Sharing Improvement Project	424,441	
16.816	John R. Justice Prosecutors and Defenders Incentive Act	<u>96,186</u>	
	U.S. DEPARTMENT OF JUSTICE TOTAL	<u>\$ 5,415,835</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	\$ 71,671	
17.005	Compensation and Working Conditions	40,250	
17.207	Employment Service/Wagner-Peyser Funded Activities	468,215	
17.235	Senior Community Service Employment Program	1,135,839	
17.258	WIA Adult Program	1,460,637	
17.259	WIA Youth Activities	1,145,957	
17.260	WIA Dislocated Workers	838,508	
17.273	Temporary Labor Certification for Foreign Workers	79,842	
17.278	WIA Dislocated Worker Formula Grants	83,054	
17.504	Consultation Agreements	254,468	
17.801	Disabled Veterans' Outreach Program (DVOP)	32,493	
	U.S. DEPARTMENT OF LABOR TOTAL	<u>\$ 5,610,934</u>	
U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Highway Planning and Construction	\$ 36,464,225	
20.205	ARRA Highway Planning and Construction	5,772,177	
20.218	National Motor Carrier Safety	335,690	
20.509	Formula Grants for Other Than Urbanized Areas	249,099	
20.600	State and Community Highway Safety	1,318,617	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	42,480	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	<u>\$ 44,182,288</u>	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts-Partnership Agreements	\$ 237,697	
45.310	Grants to States	127,795	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	<u>\$ 365,492</u>	
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.454	ARRA Water Quality Management Planning	\$ 89,811	
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	2,649,063	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	115,905	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 2,854,779</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	\$ 17,533	\$ -
81.041	ARRA State Energy Program	11,299,300	\$ 10,779,719
81.042	ARRA Weatherization Assistance for Low-Income Persons	475,856	
81.127	ARRA Energy Efficient Appliance Rebate Program (EEARP)	97	
81.128	ARRA Energy Efficiency and Conservation Block Grant Program	<u>3,832,486</u>	\$ 3,541,249
U.S. DEPARTMENT OF ENERGY TOTAL		<u>\$ 15,625,272</u>	
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	\$ 869,572	
84.149	Migrant Education-College Assistance Migrant Program	5,317	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	6,624	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	11,638	
84.394	ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	5,484,917	\$ 5,484,917
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	20,192,839	\$ 17,326,020
84.403	Consolidated Grants to the Outlying Areas	<u>27,057</u>	
U.S. DEPARTMENT OF EDUCATION TOTAL		<u>\$ 26,597,964</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	\$ 12,153	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services	41,421	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	18,716	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	849,311	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	1,575,962	
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	285,761	
93.052	National Family Caregiver Support, Title III, Part E	447,545	
93.053	Nutrition Services Incentive Program	371,257	
93.069	Public Health Emergency Preparedness	318,725	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	<u>137,196</u>	
BALANCE FORWARD		<u>\$ 4,058,047</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>	<u>Amounts Passed- Through to Subrecipients per Major Program</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 4,058,047	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,575,426	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Prog	422,617	
93.127	Emergency Medical Services for Children	99,241	
93.136	Injury Prevention and Control Research and State and Community Based Prog	28,093	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	49,994	
93.217	Family Planning - Services	335,481	
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)	1,413,506	
93.235	Affordable Care Act (ACA) Abstinence Education Program	26,268	
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	454,008	
93.268	Immunization Cooperative Agreements	969,087	
93.283	The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,150,401	
93.296	State Partnership Grant Program to Improve Minority Health	122,021	
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Prog	322,820	
93.507	PPHF 2012 National Public Health Improvement Initiative	194,365	
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Rvw	2,771	
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) Communities Putting Prevention to Work	66,655	
93.544	The Patient Protection and Affordable Care Act of 2010 authorizes Coordinated Chronic Disease prevention and Health Promotion Program	39,060	
93.558	Temporary Assistance for Needy Families	4,857,846	\$ -
93.563	Child Support Enforcement	2,491,961	
93.575	Child Care and Development Block Grant	3,600,932	\$ 1,034,008
93.597	Grants to States for Access and Visitation Programs	69,220	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	231,684	
93.667	Social Services Block Grant	2,652,862	
93.712	ARRA - Immunization	47,328	
93.719	ARRA State Grants to Promote Health Information Technology	427,667	
93.723	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	38,330	
93.767	Children Health Insurance Program	4,528,086	\$ -
93.778	Medical Assistance Program	24,310,124	\$ -
93.778	ARRA Medical Assistance Program	3,846,929	\$ -
	BALANCE FORWARD	<u>\$ 58,432,830</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 2012

<u>CFDA#</u>	<u>Agency/Program</u>	<u>Expenditures</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
	BALANCE FORWARD	\$ 58,432,830
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	46,825
93.917	HIV Care Formula Grants	281,395
93.940	HIV Prevention Activities_Health Department Based	397,494
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	25,181
93.958	Block Grants for Community Mental Health Services	211,708
93.959	Block Grants for Prevention and Treatment of Substance Abuse	936,932
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	98,322
93.991	Preventive Health and Health Services Block Grant	161,010
93.994	Maternal and Child Health Services Block Grant to the States	<u>517,430</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 61,109,127</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	
94.003	State Commissions	\$ 245,025
94.006	AmeriCorps	1,258,215
94.007	Program Development and Innovation Grants	3,783
94.009	Training and Technical Assistance	<u>19,083</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,526,106</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY	
97.001	Pilot Demonstration or Earmarked Projects	\$ 6,340
97.012	Boating Safety Financial Assistance	480,064
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	1,903,204
97.039	Hazard Mitigation Grant	(12,741)
97.042	Emergency Management Performance Grants	654,282
97.052	Emergency Operations Centers	3,427
97.067	Homeland Security Grant Program	1,984,184
97.078	Buffer Zone Protection Program (BZPP)	100,701
97.082	Earthquake Consortium	13,864
97.089	Real ID Program	<u>555,102</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 5,688,427</u>
	TOTAL FEDERAL AWARDS	<u>\$ 326,181,789</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, 2012

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:

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 Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period.

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, 2012 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, 2012.

The Government of Guam administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the Government of Guam reporting entity.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

2. Summary of Significant Accounting Policies, Continued

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 2012 grant programs are based on 2012 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.

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, 2012, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551 SNAP EBT payments	\$ <u>113,301,540</u>
--	-----------------------

Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>113,301,540</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 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

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, 2012, GovGuam’s expenditures during the fiscal year and related grant award notifications are as follows:

<u>CFDA</u>	<u>Grant Amount</u>	<u>FY 2012 Expenditures</u>
16.588	\$ 661,510	\$ 179,616
16.710	1,817,536	462,376
16.801	212,000	-
16.803	4,972,500	848,777
16.810	993,037	424,441
20.205	19,560,000	5,772,177
66.454	200,000	89,811
81.041	19,098,000	11,299,300
81.042	1,431,132	475,856
81.127	166,000	97
81.128	9,593,500	3,832,486
84.390	554,268	-
84.394	75,742,784	5,484,917
84.397	32,240,353	20,192,839
84.398	22,523	-
93.712	251,656	47,328
93.719	1,600,000	427,667
93.723	150,000	38,330
93.778	<u>5,405,000</u>	<u>3,846,929</u>
	<u>\$ 174,671,799</u>	<u>\$ 53,422,947</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, 2012, \$43.6 million of federal funds not subject to continuing compliance requirements were received, as follows:

Additional Child Tax Credit	\$ 40,204,594
American Opportunity Tax Credit	<u>3,361,266</u>
Total ARRA receipts not included in the Schedule	<u>\$ 43,565,860</u>

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2012

		<u>2012</u> <u>Expenditures</u>
Federal contributions, as reported in the 2012 financial statements:		
Federal Grants Assistance Fund, expenditures		\$ 325,682,100
Less local match and contributions		(27,432,600)
Plus transfers out		<u>12,977,220</u>
Federal expenditures, transfers, and other uses		311,226,720
 <u>CFDA #</u>		
Guam Department of Education:		
15.875	Economic, Social and Political Development of the Territories	7,100,000
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	5,484,917
Superior Court of Guam:		
16.013	Violence Against Women Act Court Training and Improvement Grants	87,538
16.554	National Criminal History Improvement Program (NCHIP)	47,382
16.579	Edward Byrne Memorial Formula Grant Program	45,189
16.750	Support For Adam Walsh Act Implementation Grant Program	113,425
16.810	Recovery Act Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	424,441
Fund 105:		
93.224	Consolidated Health Centers	1,413,506
Other Federal Expenditures		<u>238,671</u>
Total Federal Expenditures Subject to Audit		\$ <u>326,181,789</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2012

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2012

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? | None reported |
| 7. Type of auditors' report issued on compliance for major programs: | |
| CFDA # 15.875 | Qualified |
| CFDA # 20.205 | Qualified |
| CFDA # 84.397 | Qualified |
| CFDA # 93.558 | Qualified |
| CFDA # 93.778 | 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

Numbers	Name of Federal Program or Cluster
---------	------------------------------------

- | | |
|---------------|---|
| SNAP Cluster: | |
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 10.561 | State Administrative Matching Grants for the SNAP |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 15.875 | Economic, Social and Political Development of the Territories |
| 16.523 | Juvenile Accountability Block Grants |
| 20.205 | Highway Planning and Construction |
| 81.041 | State Energy Program |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (EECBG) |
| 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 |
| 93.558 | Temporary Assistance for Needy Families |
| CCDF Cluster: | |
| 93.575 | Child Care and Development Block Grant |
| 93.713 | ARRA Child Care and Development Block Grant |
| 93.767 | Children's Health Insurance Program |
| 93.778 | Medical Assistance Program |

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

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>
2012-4	Fixed Assets	\$ -
2012-5	Post-Closing Adjustments	\$ -
2012-6	Revenues	\$ -
2012-7	Interface of POS and Non-POS System and Income Tax Liability Account	\$ -

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2012-1 15.875	Equipment and Real Property Management	\$ -
2012-1 20.205	Equipment and Real Property Management	-
2012-1 84.397	Equipment and Real Property Management	-
2012-2 93.558	Eligibility	971
2012-3 93.558	Reporting	-
2012-2 93.778	Eligibility	<u>34,322</u>
	Total Federal Questioned Costs	\$ <u>35,293</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-1
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 84.397 ED State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
 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 2012 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 2012 major programs is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	
<u>Program CFDA #s</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Purchases</u>	<u>Total</u>
1. 10.551/10.561	\$ 14,995	14,500	-	-	-	29,495
2. 10.557	\$ -	-	14,488	17,700	-	32,188
3. 12.401	\$ -	-	-	-	-	-
4. 15.875	\$ 573,017	564,249	1,201,607	701,368	544,666	3,584,907
5. 16.523	\$ -	-	-	-	-	-
6. 20.205	\$ 538,071	6,064,230	11,506,775	3,931,920	2,962,379	25,003,375
7. 81.041	\$ 49,438	-	-	-	-	49,438
8. 84.128	\$ -	-	-	-	-	-
9. 84.394/84.397	\$ 1,179,154	-	-	-	-	1,179,154
10. 93.558	\$ -	-	-	-	-	-
11. 93.575	\$ -	-	-	-	-	-
12. 93.767	\$ -	-	-	-	-	-
13. 93.778	\$ -	12,550	-	-	-	12,550

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, 2012

Finding No.: 2012-1, 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: 84.397 ED State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
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 2012 materiality levels: CFDA numbers 15.875, 20.205, and 84.397.

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 agree with the findings and with the recommendations provided. DOA (Department of Administration) will work with DPW's (Department of Public Works') federal highway Division to determine the total outstanding capital improvement projections and to obtain a list of items that need to be transferred from the CIP to the infrastructure account. DOA is in the process of hiring the program coordinator who will primarily be responsible for the reconciliation and investigation of capital asset accounts. Further efforts will be made to seek funding to hire additional staff to perform the fixed assets physical inventory on a more regular basis.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2
Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 1201GUTANF
Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-1205GQ5MAP
Questioned Costs: \$34,322

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.

Condition:

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

CFDA 93.558

- For 2 (or 3%), no PA worksheet is in the file.

		<u>Eligibility Period</u>		<u>TANF Claim Amount and Questioned Cost</u>
	<u>Case #</u>	<u>Begin Date</u>	<u>End Date</u>	
	1	10/01/11	09/30/12	\$ 513
	2	11/01/11	10/31/12	<u>458</u>
				\$ <u>971</u>

CFDAs 93.558 and 93.778

- For 73 (or 97%), 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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2, Continued
Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 1201GUTANF
Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-1205GQ5MAP
Questioned Costs: \$34,322

Area: Eligibility

Condition, Continued:

CFDA 93.778

3. For 15 (or 20%), the certification form is not signed by the eligibility specialist.

	Case #	Eligibility Period		Medicaid Claim Amount
		Begin Date	End Date	
1	10-48425-01	12/01/10	11/30/11	\$ 1,670
2	330074645-1	07/01/11	06/01/12	1,392
3	330081353-3	07/01/11	06/30/12	3,810
4	33-33196-01	08/01/10	08/31/11	1,409
5	33-48188-03	02/01/11	01/31/12	506
6	33-49635-03	06/01/11	05/31/12	746
7	33-55347-01	03/01/11	02/08/12	2,702
8	33-57286-01	04/01/11	03/31/12	1,132
9	33-58161-01	08/01/11	07/31/12	950
10	33-74220-02	08/01/11	07/31/12	797
11	33-80738-02	Incomplete Worksheet		1,335
12	33-92153-03	08/01/11	07/31/12	157
13	340012367-1	01/17/12	12/31/12	25,290
14	340056819-1	01/19/12	12/31/12	9,000
15	500057097-1	09/01/11	08/31/12	<u>35,091</u>
				\$ <u>85,987</u>

No questioned cost is presented for this condition because all other case file documentation substantiates the eligibility determination.

4. For 6 (or 8%), the birth certificate or equivalent record is not documented to substantiate the citizenship of a certain household member for each of the following case numbers:
33-33196-01, 330034086-2, 330077520-3, 330079467-3, 33-92215-04, and 500029931-1.
5. For 6 (or 8%), the social security card is not documented for all household members for the following case numbers:
33-33196-01, 330034086-2, 330077520-3, 330079467-3, 33-92215-04, and 500029931-1.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2, Continued
Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 1201GUTANF
Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-1205GQ5MAP
Questioned Costs: \$34,322

Area: Eligibility

Condition, Continued:

6. For 3 (or 4%), other required documentation, such as exemption documents, application worksheet, and income are not on file.

		<u>Eligibility Period</u>		<u>Medicaid Claim Amount and Questioned Cost</u>
	<u>Case #</u>	<u>Begin Date</u>	<u>End Date</u>	
1	330034086-2	01/01/12	12/31/12	\$ 75
2	33-33196-01	08/01/10	08/31/11	1,409
3	33-80738-02	Incomplete Worksheet		<u>1,335</u>
				\$ <u>2,819</u>

7. For 6 (or 8%), the applicable renewal application and required eligibility documents were not provided.

	<u>Case #</u>	<u>Service Date</u>	<u>Medicaid Claim Amount And Questioned Cost</u>
1	300078063-7	11/14/11	\$ 723
2	30-92063-01	11/28/11	884
3	330053125-1	03/20/12	1,591
4	33-46776-04	02/14/12	44,795
5	33-92135-02	01/06/12	101
6	33-92215-04	10/14/11	<u>7,000</u>
			\$ <u>55,094</u>

8. For 2 (or 3%), the following case files were not provided.

	<u>Case #</u>	<u>Service Date</u>	<u>Medicaid Claim Amount and Questioned Cost</u>
1	30-57292-02	03/13/07	\$ 640
2	33-52947-01	09/23/10	<u>3,850</u>
			\$ <u>4,490</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2, Continued
 Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
 Grant Number: 1201GUTANF
 Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
 Grant Number: 05-1205GQ5MAP
 Questioned Costs: \$34,322

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 the files containing the participant’s personal data. There is no system in place to properly track the usage and location of each participant’s file.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. Questioned costs exist, as follows:

	<u>CFDA 93.558</u>	<u>CFDA 93.778</u>
Costs Questioned Above	\$ 971	\$ 62,403
X Federal Share	<u>100%</u>	<u>55%</u>
Total Questioned Cost	\$ <u>971</u>	\$ <u>34,322</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:

Condition 1:

Case #	Response
10-48723	Disagree. Under PHPRO, PA worksheet is longer being completed but instead a CAP calculation sheet is found in file (see attachment 1).
10-53235	Agree

Condition 2:

Response: Agree, however, ES verifies information on income with the Department of Revenue and Taxation’s SWICA module to verify income. ES could profile a client to verify vehicles, real property and income.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2, Continued
 Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
 Grant Number: 1201GUTANF
 Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
 Grant Number: 05-1205GQ5MAP
 Questioned Costs: \$34,322

Area: Eligibility

Auditee Response and Corrective Action Plan, Continued:

Corrective Action Plan: Guam had submitted the Security Design Plan to SSA on May 9, 2013. Guam is awaiting for SSA’s review completion and approval of Guam’s submitted Security Design Plan. Upon approval, Guam will continue to transmit files to SSA every work week day. With the IEVS activity, all SSNs will be subject to the Numident check. As new applications are received by the program, the new SSN will be subject to the Numident check. If there is a problem with the SSN, an alert will automatically be sent to the assigned Eligibility Specialist (ES) to verify with the client. Upon approval of the Guam Security Design Plan, Guam will immediately start the transmission of files to and from SSA. Guam will then review and update existing the IEVS policies and procedures based on the activities carried out.

Condition 3:

RESPONSE: Agree. Most ES as a practice only signs the original issued to the client and file the copy of the Notice of Action in the case file without signing the copy.

CORRECTIVE ACTION PLAN: Issue memorandum to staff to remind them to sign the original and copy of the Notice of Action and file immediately in the case file.

Condition 4:

Case No.	Response
330033196-1	Agree
330034086-2	Agree
330077520-3	Agree
330079467-3	Agree that there is no BC for A.
33-92215-04	BC missing for case file
500029931-1	Agree

Condition 5:

Case No.	Response
330033196-1	Agree
330034086-2	Agree
330077520-3	Agree
330079467-3	Agree that there is no SSN card for A.
33-92215-04	SS missing for case file
500029931-1	Agree

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-2, Continued
Grantor Agency: U.S. Department of Health and Human Services

CFDA Program: 93.558 Temporary Assistance for Needy Families
Grant Number: 1201GUTANF
Questioned Costs: \$971

CFDA Program: 93.778 Medical Assistance Program
Grant Number: 05-1205GQ5MAP
Questioned Costs: \$34,322

Area: Eligibility

Auditee Response and Corrective Action Plan, Continued:

Condition 6:

Case #	Response
330034086-2	Agree
33-33196-01	Agree
33-80738-02	Agree

Condition 7:

Case #	Response
300078063-7	Agree
30-92063-01	Agree
330053125-1	Agree
33-46776-04	Agree
33-92135-02	Agree
33-92215-04	Agree

Condition 8:

Case #	Response
30-57292-02	Agree
33-52947-01	Agree

Auditor Response:

The auditee disagrees with a case file at condition 1. As the documentation provided to us relates to a subsequent certification period, the condition remains.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-3
Grantor Agency: U.S. Department of Health and Human Services
CFDA Program: 93.558 Temporary Assistance for Needy Families Grant (TANF)
Area: Reporting
Questioned Costs: \$0

Criteria:

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

Condition:

Report ACF-199, *TANF Data Report (OMB No. 0970-0309)*, was not provided for examination.

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. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

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:

The Government of Guam has not provided a response.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-4
Area: Fixed Assets

Criteria:

Construction work in progress should be properly recorded and capitalized. Transactions that meet the capitalization threshold (\$50,000 per item and capital in nature) should be recorded as fixed assets.

Condition:

The assessment of construction work in progress and completed projects was performed six to seven months subsequent to fiscal year end, which resulted in an audit adjustment of \$14,925,114.

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, 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 GovGuam 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:

The effect of this condition is potential misstatements of capital assets prior to proposed audit adjustments.

Prior Year Status:

The lack of properly recording capital assets was reported as a finding in the audit of GovGuam for fiscal year 2011.

Recommendation:

Account balances should 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 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.

Auditee Response and Corrective Action Plan:

DOA (Department of Administration) is in the process of hiring the program coordinator who will primarily be responsible for the reconciliation and investigation of capital asset accounts. Further efforts will be made to seek funding to hire additional staff to perform the fixed assets physical inventory on a more regular basis.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-5
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 five to eight months subsequent to 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, sufficient time was not available to timely reconcile all required accounts at an earlier date.

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.

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 2011.

Recommendation:

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

Auditee Response and Corrective Action Plan:

DOA (Department of Administration) is in the process of seeking funding to recruit two accountants to perform daily and monthly reconciliations, therefore eliminating significant post closing adjustments.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-6
Area: Revenues

Criteria:

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

Condition:

The Guam Customs and Quarantine Agency receives over \$2.5M of annual revenues. Over the years, receivables due from vendors for import and use taxes have not decreased significantly. At September 30, 2012, the recorded receivable approximated \$4.5M.

Cause:

A standard method of enforced collection has not been formulated.

Effect:

The Government of Guam will continue to fully allow for, as a provision, these uncollected tax receipts.

Prior Year Status:

Collection of import and use tax was reported as a finding in the audit of GovGuam for fiscal year 2011.

Recommendation:

We recommend 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 agree with the findings and recommendations contained above. The Department of Administration, Department of Revenue and Taxation, and the Guam Customs and Quarantine Agency, collectively, are working on a Memorandum of Understanding (MOU) which will specify our collective responsibilities to enforce the collection of the Use Taxes and will determine what method of enforcement will be available to all three departments. We believe that this MOU would significantly help to reduce the outstanding receivables.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-7
Area: Interface of Point of Sale (POS) and Non-POS System
Area: Income Tax Liability Account

Criteria:

1. The point of sale (POS) system, which captures all cash receipts via POS system at Treasurer of Guam (TOG) cashier's stations and web-based POS, and Non-POS system, should interface with the TOG Payment Records System. Payments applied within the TOG Payment Records System should interface to the Department of Revenue and Taxation (DRT) AS400 and the Department of Administration (DOA) AS400.
2. The Department of Revenue and Taxation (DRT) should possess the capability to scan in tax payer returns to allow for timely computations of income tax refund liabilities.

Condition:

1. During fiscal year 2012 (December 2011 through sometime in March 2012), all cash receipts were keyed in to a non-POS system which did not interface with the TOG Payment Records System or the DRT AS400. This resulted in the following:
 - A.) Manpower and delay of posting taxpayer payments to the individual DRT accounts receivable sub-ledger occurred and this also resulted in \$1,714,548 of unreconciled deposits in general ledger accounts (account #110010412 and 110010421). This condition does not impact total recorded revenue or cash receipts, however, a passed adjustment was proposed to reconcile the general ledger.
 - B.) A delay occurred in recording GRT collections to corresponding revenue accounts. As such, a GRT suspense account was created by DOA. A reconciliation was performed of this account eight months subsequent to fiscal year end, with a final unreconciled balance of \$5,022,345, which has not been classified to the corresponding revenue sub-accounts as of 09/30/2012. Again, this condition does not impact total recorded GRT revenue or applicable cash accounts.
 - C.) Cash short was initially recorded at \$2,323,573, of which \$1,146,445 had been reconciled. The reconciliation identified certain voided transactions from the point of sale system that did not interface properly with the general ledger and posting of duplicate and inaccurate collections. The remaining unreconciled balance, \$1,177,128, is currently being reconciled by Treasurer of Guam.
2. DRT acquired 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:

1. Termination of the prior POS and the newly acquired POS, which does not interface with the DRT system, resulted in a delay in posting and application of collections to the corresponding DRT receivable sub-ledgers and to the correct revenue sub-accounts.
2. The acquired scanner has not functioned with existing systems.

Effect:

1. Delays in collection efforts and assessment of outstanding receivable accounts can result from the condition. Misclassifications can occur among revenue sub-accounts based on the nature of the gross receipts taxes paid. The lack of timely reconciliation of the cash short account can result in financial statement errors.
2. Substantial manpower is devoted to manually processing returns to be able to assess the income tax refund liability.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2012

Finding No.: 2012-7, Continued
Area: Interface of Point of Sale (POS) and Non-POS System
Area: Income Tax Liability Account

Prior Year Status:

Condition 2 was noted in the audit of GovGuam for fiscal year 2011.

Recommendation:

1. We recommend that collections from the POS system and Non-POS system interface with TOG Payment System Records and the DRT system and the DOA AS400 to minimize reconciliation complications.
2. 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 and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2012

	<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	\$ 944,648	\$ 944,648	\$ -
Unresolved Questioned Costs FY 08	442,399	432,322	10,077
Unresolved Questioned Costs FY 11	<u>41,790</u>	<u>41,790</u>	<u>-</u>
	<u>\$ 1,428,837</u>	<u>\$ 1,418,760</u>	10,077
Add Questioned Costs for FY 2012			<u>35,293</u>
Total Unresolved Questioned Costs at September 30, 2012			\$ <u>45,370</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>		<u>2012</u>	<u>2008</u>	<u>Total</u>
93.558	TANF	\$ 971	\$ -	\$ 971
93.778	Medicaid	<u>34,322</u>	<u>10,077</u>	<u>44,399</u>
	Totals	<u>\$ 35,293</u>	<u>\$ 10,077</u>	<u>\$ 45,370</u>

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits, Continued
Year Ended September 30, 2012

Resolved Questioned Costs as Represented by the Government of Guam:

Finding #	CFDA #	Questioned Costs Resolved in 2012	Responding Office
2007-05	15.875	\$ 781,531	OMB Circular A-133, Section .315(b)(4)
2007-06	15.875	39,757	OMB Circular A-133, Section .315(b)(4)
2007-08	20.205	12,536	OMB Circular A-133, Section .315(b)(4)
2007-26	16.540	14,565	OMB Circular A-133, Section .315(b)(4)
2007-26	11.419	33,139	OMB Circular A-133, Section .315(b)(4)
2007-26	16.575	6,198	OMB Circular A-133, Section .315(b)(4)
2007-26	84.186	32,790	OMB Circular A-133, Section .315(b)(4)
2007-26	93.116	7,250	OMB Circular A-133, Section .315(b)(4)
2007-26	93.563	6,000	OMB Circular A-133, Section .315(b)(4)
2007-26	93.779	10,445	OMB Circular A-133, Section .315(b)(4)
2007-26	93.959	144	OMB Circular A-133, Section .315(b)(4)
2007-26	93.994	293	OMB Circular A-133, Section .315(b)(4)
2008-13	93.778	378,899	DPHSS correspondence with U.S. HHS
2008-19	97.052	53,423	OMB Circular A-133, Section .315(b)(4)
2011-02	93.558	13,786	DOA correspondence with U.S. HHS
2011-02	93.778	<u>28,004</u>	DOA correspondence with U.S. HHS
Total Questioned Costs Resolved		\$ <u>1,418,760</u>	