

**GOVERNMENT OF GUAM**

---

**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 1998**

**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 1998**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Carl T.C. Gutierrez  
Governor  
Government of Guam:

We have audited the general purpose financial statements of the Government of Guam as of September 30, 1998, and for the year then ended, and have issued our report thereon dated October 15, 1999, which report was qualified due to our inability to access tax related records; the incomplete presentation of the General Fixed Assets Account Group; the absence of substantiation of fixed assets of the Guam Community College; the incomplete presentation of the General Long-Term Debt Account Group; the noninclusion of the Pension Trust Fund, the Guam Housing and Urban Renewal Authority, the Guam Council on the Arts and Humanities Agency, the Port Authority of Guam and the Guam Department of Education; the absence of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau, Component Units - Proprietary Funds, and the Guam Preservation Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

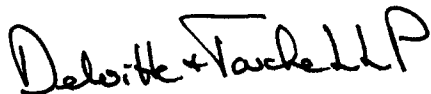
As part of obtaining reasonable assurance about whether the Government of Guam's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 29 through 124) as findings 98-13, 98-16, 98-17, 98-25, 98-32, 98-33, 98-35, 98-36 and 98-51.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-59 through 98-116.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe findings 98-63, 98-64, 98-66, 98-70, 98-90, 98-91 and 98-97 to be material weaknesses.

This report is intended solely for the information and use of the management of the Government of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

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

October 15, 1999



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Carl T.C. Gutierrez  
Governor  
Government of Guam:

**Compliance**

We have audited the Government of Guam's compliance with the types of requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1998. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 29 through 124). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the Government of Guam. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government of Guam's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government of Guam's compliance with those requirements.

As described in findings 98-13, 98-17, 98-26, 98-35, 98-57, 98-58 and 98-97 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding reporting, procurement and suspension and debarment, equipment and real property management, real property acquisition and relocation assistance, activities allowed or unallowed, allowable costs/cost principles, cash management and subrecipient monitoring that are applicable to its major federal programs. 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 are applicable to each of its major federal programs for the year ended September 30, 1998.

### Internal Control Over Compliance

The management of the Government of Guam 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 the Government of Guam's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

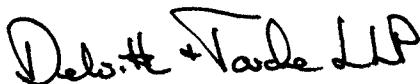
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 through 98-58 and 98-97.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 98-17, 98-25, 98-35, 98-57 and 98-58 to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Government of Guam as of September 30, 1998, and for the year then ended, and have issued our report thereon dated October 15, 1999, which report was qualified due to our inability to access tax related records; the incomplete presentation of the General Fixed Assets Account Group; the absence of substantiation of fixed assets of the Guam Community College; the incomplete presentation of the General Long-Term Debt Account Group; the noninclusion of the Pension Trust Fund, the Guam Housing and Urban Renewal Authority, the Guam Council on the Arts and Humanities Agency, the Port Authority of Guam and the Guam Department of Education; the absence of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau, Component Units - Proprietary Funds, and the Guam Preservation Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 22) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.



October 15, 1999

# GOVERNMENT OF GUAM

## Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 1998

<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. Department of Agriculture	\$ 2,197,935	\$ 48,397,097	\$ 46,862,981	\$ 663,819
U.S. Department of Commerce	570,255	574,155	667,552	663,652
U.S. Department of Defense	829,750	792,493	1,076,829	1,114,086
U.S. Department of Health and Human Services	1,774,197	49,922,438	49,591,602	1,443,361
U.S. Department of Housing and Urban Development	7,102	14,363	66,607	59,346
U.S. Department of the Interior	2,719,403	5,488,020	6,199,446	3,430,829
U.S. Department of Justice	886,489	6,162,547	7,086,470	1,810,412
U.S. Department of Labor	743,393	27,525,620	27,347,274	565,047
U.S. Department of Transportation	1,421,334	10,328,992	10,958,502	2,050,844
National Foundation on the Arts and the Humanities	9,900	661,310	722,769	71,359
U.S. Environmental Protection Agency	886,533	3,192,317	4,017,380	1,711,596
U.S. Department of Energy	19,601	272,569	254,334	1,366
Federal Emergency Management Agency	(318,479)	48,353,100	59,851,274	11,179,695
U.S. Department of Education	4,910,648	9,620,326	8,297,024	3,587,346
Corporation for National and Community Service	(2,693)	332,139	366,263	31,431
GRAND TOTAL	\$ 16,655,368	\$ 211,637,486	\$ 223,366,307	\$ 28,384,189

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

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF AGRICULTURE					
10.000	Unknown*	\$ -	\$ 36,279	\$ 36,279	\$ -
10.072	Wetlands Reserve Program	891	-	-	891
10.156	Federal-State Marketing Improvement Program	5,639	-	-	5,639
10.551	Food Stamps	-	34,444,889	34,444,889	-
10.553	School Breakfast Program	1,350,180	2,209,599	859,419	-
10.555	National School Lunch Program	-	2,920,229	2,920,229	-
10.557	Special Supplemental Food Program for Women, Infants and Children	115,344	5,675,623	5,653,596	93,317
10.560	State Administrative Expenses for Child Nutrition	(358,003)	-	-	(358,003)
10.561	State Administrative Matching Grant for Food Stamp Program	181,379	2,268,362	2,201,700	114,717
10.664	Cooperative Forestry Assistance	903,492	842,116	746,869	808,245
10.960	Technical Agricultural Assistance	(987)	-	-	(987)
U.S. DEPARTMENT OF AGRICULTURE TOTAL		\$ 2,197,935	\$ 48,397,097	\$ 46,862,981	\$ 663,819

\* The name of the program is unknown. However, the grantee assigned the corresponding CFDA Number.



**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF COMMERCE					
11.004	Census Intergovernmental Services	\$ -	\$ 16,000	\$ 13,186	\$ (2,814)
11.300	Economic Development-Grants for Public Works & Development Facilities	268,967	-	10,900	279,867
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	329	41,680	81,757	40,406
11.407	Interjurisdictional Fisheries Act of 1986	5,243	(3,779)	8,688	17,710
11.419	Coastal Zone Management Administration Awards	225,166	485,566	489,192	228,792
11.427	Fisheries Development & Utilization Research and Development Grants and Cooperative Agreements Program	(4,692)	-	-	(4,692)
11.437	Pacific Fisheries Data Program	75,242	34,688	63,829	104,383
U.S. DEPARTMENT OF COMMERCE TOTAL		<u>\$ 570,255</u>	<u>\$ 574,155</u>	<u>\$ 667,552</u>	<u>\$ 663,652</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	U.S. DEPARTMENT OF DEFENSE				
12.110	Planning Assistance to States	\$ (177,060)	\$ (3,803)	\$ 14,418	\$ (158,839)
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	(29,137)	30,378	34,170	(25,345)
12.400	Military Construction, National Guard	1,035,947	269,689	154,648	920,906
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	492,424	869,788	377,364
12.600	Community Economic Adjustment	-	3,805	3,805	-
	U.S. DEPARTMENT OF DEFENSE TOTAL	\$ <u>829,750</u>	\$ <u>792,493</u>	\$ <u>1,076,829</u>	\$ <u>1,114,086</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
13.188	Health Education - Preventing Spread of AIDS	\$ 1,444	\$ -	\$ -	\$ 1,444
93.023	Child Support Enforcement	1,183	429,796	428,662	49
93.037	Payments to States For Child Care Assistance	167,680	167,680	-	-
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	-	-	5,498	5,498
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals (State Grants for Long-Term Care Ombudsman Services)	-	-	6,123	6,123
93.043	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services (State Grants for Disease Prevention and Health Promotion)	1,855	13,157	75,346	64,044
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	-	-	-	-
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	140,224	6,957,712	6,905,437	87,949
93.046	Special Programs for the Aging - Title III, Part D - In-Home-Services for Frail Older Individuals	-	1,322,699	1,322,699	-
93.110	Maternal and Child Health Federal Consolidated Programs (Special Projects of Regional and National Significance (SPRANS))	8,275	47,269	63,574	24,580
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	21,273	158,351	181,162	44,084
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services-Technical Assistance Centers for Evaluation	-	110,044	110,044	-
93.127	Emergency Medical Services for Children (EMS for Children)	-	4,580	4,580	-
93.150	Projects for Assistance in Transition from Homelessness (PATH)	-	14,272	15,222	950
93.217	Family Planning - Services	18,528	124,694	110,826	4,660
93.268	Immunization Grants	42,464	338,898	311,552	15,118
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	-	4,609	4,609	-
93.556	Family Preservation and Support Services	23,735	210,214	196,851	10,372
93.558	Temporary Assistance for Needy Families	-	18,803,023	19,078,878	275,855
93.560	Family Support Payments to States-Assistance Payments (AFDC Maintenance Assistance-State Aid)	247,404	2,067,670	1,700,843	(119,423)
BALANCE FORWARD		\$ 674,065	\$ 30,774,668	\$ 30,521,906	\$ 421,303

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD		\$ 674,065	\$ 30,774,668	\$ 30,521,906	\$ 421,303
93.561	Job Opportunities and Basic Skills Training (JOBS)	15,326	24,075	-	(8,749)
93.563	Child Support Enforcement	251,791	3,010,177	3,448,517	690,131
93.575	Child Care and Development Block Grant	232,621	1,667,161	1,615,457	180,917
93.600	Head Start	66,267	66,220	-	47
93.630	Developmental Disabilities Basic Support and Advocacy Grants	136,007	292,735	201,176	44,448
93.667	Social Services Block Grant	109,078	1,434,040	1,374,126	49,164
93.778	Medical Assistance Program (Medicaid; Title XIX)	(32,901)	10,598,972	10,422,473	(209,400)
93.912	Rural Outreach - Rural Network Development Program	6,700	16,729	10,029	-
93.917	HIV Care Formula Grants	2,602	11,467	8,865	-
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	13,062	153,923	148,718	7,857
93.945	Unknown*	(13,929)	22,591	43,254	6,734
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	40,474	162,246	130,047	8,275
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	94,067	523,778	597,797	168,086
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	-	2,399	3,749	1,350
93.982	Mental Health Disaster Assistance and Emergency Mental Health (Mental Health Disaster Assistance)	-	82,752	133,261	50,509
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	14,156	73,167	59,011	-
93.991	Preventive Health and Health Services Block Grant	44,901	277,667	245,932	13,166
93.994	Maternal and Child Health Services Block Grant to the States	99,699	636,288	533,553	(3,036)
96.001	Social Security - Disability Insurance	20,211	91,383	93,731	22,559
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL		\$ 1,774,197	\$ 49,922,438	\$ 49,591,602	\$ 1,443,361

\* The name of the program is unknown. However, the grantee assigned the corresponding CFDA Number.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.854	Public and Indian Housing Drug Elimination Program	\$ 7,102	\$ 14,363	\$ 66,607	\$ 59,346
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	\$ 7,102	\$ 14,363	\$ 66,607	\$ 59,346

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF THE INTERIOR					
15.601	Guam Fish Sport Development	\$ 73,405	\$ -	\$ -	\$ 73,405
15.605	Sport Fish Restoration	147,940	834,626	931,529	244,843
15.611	Wildlife Restoration	(18,694)	301,392	338,619	18,533
15.612	Endangered Species Conservation	84,241	520,557	487,731	51,415
15.616	Clean Vessel Act	-	(14)	590	604
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	2,385,998	3,616,833	4,238,478	3,007,643
15.904	Historic Preservation Fund Grants-In-Aid	25,933	214,626	200,835	12,142
15.916	Outdoor Recreation - Acquisition, Development & Planning (Land and Water Conservation Fund Grants)	20,580	-	1,664	22,244
U.S. DEPARTMENT OF THE INTERIOR TOTAL		<u>\$ 2,719,403</u>	<u>\$ 5,488,020</u>	<u>\$ 6,199,446</u>	<u>\$ 3,430,829</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF JUSTICE					
16.000	Construction of Hagatna Territorial Detention Facility	\$ -	\$ 2,481,237	\$ 2,920,450	\$ 439,213
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	24,805	131,788	135,114	28,131
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	2,725	100,134	105,277	7,868
16.548	Title V - Delinquency Prevention Program	5,089	30,531	36,527	11,085
16.549	Part E - State Challenge Activities	252	15,244	14,992	-
16.554	National Criminal History Improvement Program (NCHIP)	-	-	136,106	136,106
16.575	Crime Victim Assistance	50,234	255,498	316,875	111,611
16.579	Byrne Formula Grant Program	318,111	1,512,894	1,496,168	301,385
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(88,901)	483,554	198,055	(374,400)
16.582	Crime Victim Assistance - Discretionary Grants	106,085	105,746	-	339
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	4,539	23,000	90,830	72,369
16.588	Violence Against Women Formula Grants	126,134	539,969	555,757	141,922
16.592	Local Law Enforcement Block Grants Program	-	88,901	50,688	(38,213)
16.593	Residential Substance Abuse Treatment for State Prisoners	-	-	1	1
16.605	Unknown*	(711)	(711)	-	-
16.710	Public Safety Partnership and Community Policing Grants	338,127	394,762	1,029,630	972,995
U.S. DEPARTMENT OF JUSTICE TOTAL		\$ 886,489	\$ 6,162,547	\$ 7,086,470	\$ 1,810,412

\* The name of the program is unknown. However, the grantee assigned the corresponding CFDA Number.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ (16,871)	\$ 6,032	\$ 67,558	\$ 44,655
17.005	Compensation and Working Conditions Data	(1,366)	17,051	36,836	18,419
17.022	Unknown*	(2,464)	-	-	(2,464)
17.203	Labor Certification for Alien Workers	27,393	120,633	90,640	(2,600)
17.207	Employment Service	158,669	599,902	401,442	(39,791)
17.235	Senior Community Service Employment Program	178,760	775,564	839,069	242,265
17.246	Employment and Training Assistance - Dislocated Workers	-	22,800,000	22,567,122	(232,878)
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	52,429	52,429	-	-
17.250	Job Training Partnership Act	230,294	2,882,644	3,100,618	448,268
17.500	Occupational Safety & Health	18,680	-	-	18,680
17.503	Occupational Safety & Health - State Program	55,000	119,620	74,387	9,767
17.504	Consultation Agreements	42,869	151,745	169,602	60,726
U.S. DEPARTMENT OF LABOR TOTAL		\$ 743,393	\$ 27,525,620	\$ 27,347,274	\$ 565,047

\* The name of the program is unknown. However, the grantee assigned the corresponding CFDA Number.



**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF TRANSPORTATION					
20.005	Boating Safety Financial Assistance	\$ 334,923	\$ 164,433	\$ 174,116	\$ 344,606
20.205	Highway Planning & Construction	611,094	9,415,207	10,334,776	1,530,663
20.218	Motor Carrier Safety Assistance Program	32,245	151,039	199,306	80,512
20.600	State & Community Highway Safety	443,072	597,526	246,368	91,914
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants (HMTA Training and Planning Grants)	-	787	3,936	3,149
U.S. DEPARTMENT OF TRANSPORTATION TOTAL		\$ 1,421,334	\$ 10,328,992	\$ 10,958,502	\$ 2,050,844

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.001	Promotion of the Arts - Design Arts	\$ 9,900	\$ 9,900	\$ -	\$ -
45.007	Promotion of the Arts-State Program	-	677,617	677,617	-
45.025	Promotion of the Arts-Partnership Agreements	-	(26,378)	38,938	65,316
45.301	Institute of Museum and Library Services	-	171	6,214	6,043
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ 9,900	\$ 661,310	\$ 722,769	\$ 71,359

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.418	Construction Grants for Wastewater Works	\$ 385,307	\$ 385,307	\$ -	\$ -
66.458	Capitalization Grants for State Revolving Funds		(17,028)	691,955	708,983
66.600	Environmental Protection Consolidated Grants - Program Support	501,226	2,823,424	3,323,150	1,000,952
66.810	CEPP Technical Assistance Grants Program	-	614	2,275	1,661
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	<u>\$ 886,533</u>	<u>\$ 3,192,317</u>	<u>\$ 4,017,380</u>	<u>\$ 1,711,596</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 15,120	\$ 268,088	\$ 254,334	\$ 1,366
81.052	Energy Conservation for Institutional Buildings	4,481	4,481	-	-
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 19,601</u>	<u>\$ 272,569</u>	<u>\$ 254,334</u>	<u>\$ 1,366</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
FEDERAL EMERGENCY MANAGEMENT AGENCY					
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986 (SARA Title III Training Program)	\$ 3,936	\$ 21,300	\$ 36,603	\$ 19,239
83.502	Unknown*	-	2,323	2,323	-
83.503	Civil Defense-State & Local Emergency Management Assistance	37,710	-	-	37,710
83.505	State Disaster Preparedness Grants	311,832	354,646	51,551	8,737
83.516	Disaster Assistance	(897,936)	(897,936)	-	-
83.519	Hazard Mitigation Assistance	105,337	390,793	215,855	(69,601)
83.520	Hurricane Program	33,541	74,702	43,456	2,295
83.521	Earthquake Hazards Reduction Grants	5,529	20,529	15,000	-
83.528	Emergency Management Institute - Field Training Program	119	-	-	119
83.534	Emergency Management - State and Local Assistance	15,163	310,318	317,357	22,202
83.535	Mitigation Assistance	15,637	198,637	203,436	20,436
83.539	Crisis Counseling	-	144,182	154,615	10,433
83.541	Disaster Unemployment Assistance	-	4,045,688	4,218,867	173,179
83.542	Fire Suppression Assistance	-	247,381	283,048	35,667
83.543	Individual and Family Grants	-	12,192,042	12,333,396	141,354
83.544	Public Assistance Grants	-	31,192,952	41,970,877	10,777,925
83.546	Unknown*	-	4,890	4,890	-
83.834	Unknown*	50,653	50,653	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY					
TOTAL		\$ (318,479)	\$ 48,353,100	\$ 59,851,274	\$ 11,179,695

\* The name of the program is unknown. However, the grantee assigned the corresponding CFDA Number.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF EDUCATION					
84.003	Bilingual Education	\$ 304	\$ -	\$ -	\$ 304
84.009	Education of Handicapped Children in State Operated or Supported Schools	111,592	-	-	111,592
84.027	Special Education - Grants to States	(828,191)	6,015,378	6,272,058	(571,511)
84.029	Special Education - Personnel Development and Parent Training	(880)	(815)	-	(65)
84.034	Public Library Services (LSCA - Title I)	6,621	93,319	121,124	34,426
84.035	Interlibrary Cooperation and Resource Sharing (LSCA - Title III)	-	11,319	15,639	4,320
84.053	Vocational Education - State Councils	1,306	-	798	2,104
84.073	National Diffusion Network (NDN)	(3,251)	(3,455)	-	204
84.124	Territorial Teacher Training Assistance Program	4,354	-	-	4,354
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	2,483,683	1,356,442	1,550,825	2,678,066
	BALANCE FORWARD	\$ 1,775,538	\$ 7,472,188	\$ 7,960,444	\$ 2,263,794

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	U.S. DEPARTMENT OF EDUCATION BALANCE FORWARD	\$ 1,775,538	\$ 7,472,188	\$ 7,960,444	\$ 2,263,794
84.998	Consolidated Grant	2,434,245	1,552,331	-	881,914
84.161	Rehabilitation Services - Client Assistance Program (CAP)	529	26,783	46,212	19,958
84.169	Independent Living - State Grants	6,098	-	5,756	11,854
84.173	Special Education - Preschool Grants	16,979	124,218	122,810	15,571
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	79,750	-	-	79,750
84.180	Technology Applications for Individuals with Disabilities	800	800	-	-
84.181	Special Education - Grants for Infants and Families with Disabilities (Early Intervention Grants)	290,129	257,857	-	32,272
84.186	Safe and Drug-Free Schools and Communities - State Grants	206,554	155,507	144,772	195,819
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	69,384	-	17,030	86,414
84.276	GOALS 2000 - State and Local Education Systematic Improvement Grants	30,642	30,642	-	-
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 4,910,648	\$ 9,620,326	\$ 8,297,024	\$ 3,587,346

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1997	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ (2,693)	\$ 332,139	\$ 366,263	\$ 31,431
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	\$ (2,693)	\$ 332,139	\$ 366,263	\$ 31,431
	GRAND TOTAL	\$ 16,655,368	\$ 211,637,486	\$ 223,366,307	\$ 28,384,189



# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1998

### 1. Scope of Audit:

The Government of Guam is a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. All significant operations of the Government of Guam are included within the scope of the audit. The U.S. Department of the Interior has been designated as the Government of Guam's cognizant agency for the Single Audit.

#### Programs Subject to Single Audit:

Schedules of Expenditures of Federal Awards are presented for each Federal program related to the following agencies:

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- Federal Emergency Management Agency
- National Foundation on the Arts and the Humanities

### 2. Summary of Significant Accounting Policies:

#### a. Basis of Accounting:

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

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1998

#### 2. Summary of Significant Accounting Policies, Continued:

##### a. Basis of Accounting, Continued:

All expenses and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and the dollar value of food stamp coupons issued during the period.

##### b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

##### c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 1998 grant programs are based on 1998 actual expenditures and caseloads. The indirect cost rate is derived by dividing the total indirect costs by the total direct wages expended in fiscal year 1998. The indirect cost negotiation agreement is established at varying rates for various departments and agencies of the Government of Guam.

#### 3. Reporting Entity:

The Government of Guam, for the purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14 and certain component units of the Government of Guam (see also note 5). It does not include the following component units of the Government of Guam:

- Guam International Airport Authority
- Guam Telephone Authority
- Guam Memorial Hospital Authority
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam Rental Corporation
- Guam Mass Transit Authority
- University of Guam
- Guam Community College
- Port Authority of Guam
- Guam Visitors' Bureau
- Territorial Law Library
- Guam Economic Development Authority

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1998

3. Reporting Entity, Continued:

These component units may receive federal awards. If awards are received, these entities separately satisfy the audit requirements of OMB Circular A-133.

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

4. Noncash Awards:

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps, and loans. For the year ended September 30, 1998, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Coupons issued and redeemed	\$ <u>34,444,889</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>34,444,889</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$10,678,918 at September 30, 1998.

Based on the actual food stamps issued and redeemed, the abovementioned noncash federal awards program was determined to be a major program for the fiscal year ended September 30, 1998.

5. Component Units:

Certain component units have opted to satisfy the audit requirements of OMB Circular A-133 by inclusion in the Government of Guam's Schedule of Expenditures of Federal Awards. These component units receive funds either directly from the Federal awarding agency and/or passed through the Government of Guam, as follows:

Government of Guam Department of Education:

Direct from U. S. Department of Education:	
CFDA # 83.027 Special Education – Grants to States	\$ 6,272,058
CFDA # 83.173 Special Education – Preschool Grants	\$ 122,810
Passed Through from Department of Administration, Government of Guam - Child Nutrition Cluster	\$ 3,779,648

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1998

5. Component Units, Continued:

Guam Power Authority:

Direct from Federal Emergency Management Agency		
CFDA #83.544	Public Assistance Grants	\$ 22,544,000

Pass Through from Department of Administration,		
Government of Guam:		
CFDA # 83.544	Public Assistance Grants	\$ 5,242,569

Guam Waterworks Authority:

Direct from U. S. Environmental Protection Agency		
CFDA # 66.458	Capitalization Grants for State Revolving Funds	\$ 691,955

Pass Through from Department of Administration		
Government of Guam:		
CFDA # 15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 904,895
CFDA # 83.544	Public Assistance Grants	\$ 1,399,113

# GOVERNMENT OF GUAM

## Schedule of Major Federal Award Programs Year Ended September 30, 1998

The following lists specific grants selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 1998 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamp Program	34,444,889
	10.561	State Administrative Funding for the Food Stamp Program	2,201,700
	10.553	School Breakfast Program	859,419
	10.555	National School Lunch Program	2,920,229
	10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	5,653,596
U.S. Department of Defense	12.401	National Guard Military Operations And Highway Maintenance (O&M) Projects	869,788
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories And the Freely Associated States	4,238,478
U.S. Department of Justice	16.000	Construction of Hagatna Territorial Detention Facility	2,920,450
U.S. Department of Labor	17.246	Employment and Training Assistance - Dislocated Workers	22,567,122
	17.250	Job Training Partnership Act	3,100,618
U.S. Department of Transportation	20.205	Highway Planning and Construction	10,334,776
Federal Emergency Management Agency	83.541	Disaster Unemployment Assistance	4,218,867
	83.543	Individual and Family Grants	12,333,396
	83.544	Public Assistance Grants	41,970,877
U.S. Department of Education	84.027	Special Education	6,272,058
	84.173	Special Education-Preschool Grants	122,810
U.S. Department of Health and Human Services	93.560/ 93.558	Family Support Payments to States/Temporary Assistance for Needy Families	20,779,721
	93.563	Child Support Enforcement	3,448,517
	93.575	Child Care and Development Fund	1,615,457
	93.778	Medical Assistance Program	10,422,473
Total Federal Programs selected for audit			\$ <u>191,295,241</u>
Total Federal Awards program expenditures			\$ <u>223,366,307</u>
Percentage of Federal Awards Programs tested			<u>86%</u>

## GOVERNMENT OF GUAM

### Reconciliation of Schedules of Federal Awards to General Purpose Financial Statements Year Ended September 30, 1998

		Fiscal Year 1998 <u>Expenditures</u>
Federal contributions, as reported in the 1998 financial statements:		
Federal grants assistance fund, expenditures and transfers out		\$ 189,566,079
<u>CFDA #</u>		
Government of Guam Department of Education:		
10.553	School Breakfast Program	859,419
10.555	National School Lunch Program	2,920,229
84.027	Special Education - State Grants (Part B, Individuals with Disabilities Education Act)	6,272,058
84.173	Special Education-Preschool Grants	<u>122,810</u>
Government of Guam Department of Education - Total		10,174,516*
Guam Power Authority:		
83.544	Public Assistance Grants	<u>22,544,000</u>
Guam Power Authority - Total		22,544,000*
Guam Waterworks Authority:		
66.458	Capitalization Grants for State Revolving Funds	691,955
83.544	Public Assistance Grants	<u>213,306</u>
Guam Waterworks Authority - Total		905,261*
Other unidentified expenditures		<u>176,451</u>
Total Federal Expenditures Subject to Audit		\$ <u>223,366,307</u>

\* These expenditures relate solely to the portion of program expenditures incurred by the component unit.

**GOVERNMENT OF GUAM**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YEAR ENDED SEPTEMBER 30, 1998**

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs Year Ended September 30, 1998

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

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Cluster:	
Food Stamp Program	10.551
State Administrative Funding for the Food Stamp Program	10.561
Child Nutrition Cluster:	
School Breakfast Program (SBP)	10.553
National School Lunch Program	10.555
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
Construction of the Hagatna Correctional Detention Facility	16.000
JTPA Cluster:	
Employment and Training Assistance – Dislocated Workers	17.246
Job Training Partnership Act	17.250
Highway Planning and Construction	20.205
Special Education – Grants to States	84.027
Special Education – Preschool Grant	84.173
Disaster Unemployment Assistance	83.541
Individual and Family Grants	83.543
Public Assistance Grants	83.544
Family Support Payments to States - Assistance Payments/ Temporary Assistance for Needy Families	93.560
Child Support Enforcement	93.558
Child Care and Development Fund	93.563
Medical Assistance Program	93.575
	93.778



# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

### Part I - Summary of Auditors' Results, Continued

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The State did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### Part II – Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-59	Internal Service Fund 309	\$ -
98-60	Internal Service Fund 309	\$ -
98-61	Internal Service Fund 309 and 404	\$ -
98-62	Internal Service Fund 404	\$ -
98-63	Taxes Receivable/Trust Funds	\$ -
98-64	Taxes Receivable	\$ -
98-65	Taxes Receivable	\$ -
98-66	Taxes Receivable	\$ -
98-67	General Fund – Other Receivable	\$ -
98-68	General Fund – Other Receivable	\$ -
98-69	General Fund – Other Receivable	\$ -
98-70	General Fund – Other Receivable	\$ -
98-71	Debt Service Funds – Fund 335	\$ -
98-72	General Fund – Cash	\$ -
98-73	General Fund – Cash	\$ -
98-74	General Fund – Cash	\$ -
98-75	Fund 209 – Customs, Agriculture & Quarantine Inspection Service Fund	\$ -
98-76	Special Revenue Funds	\$ -
98-77	Revenue	\$ -
98-78	Expense	\$ -
98-79	Fund 209– Customs, Agriculture & Quarantine Inspection Service Fund	\$ -
98-80	Fund 106 - Department of Defense Contract Fund	\$ -
	Fund 269 – Public Service Recovery Fund	\$ -
	Fund 103 – Striper Well Fuel Overcharge Fund	\$ -
98-81	Special Revenue Funds	\$ -
98-82	Special Revenue Funds	\$ -
98-83	Special Revenue Funds/Trust Funds	\$ -
98-84	Special Revenue Funds	\$ -
98-85	Enterprise Funds – Expenditure Testing	\$ -
98-86	General Fund Revenues	\$ -
98-87	Trust – Fund 310 – Worker's Compensation Fund Liabilities	\$ -
98-88	Trust – Fund Balances	\$ -
98-89	Trust – Transfers In	\$ -
98-90	Fixed Assets – Common Rule Record Keeping Requirements	\$ -
98-91	Fixed Assets – Common Rule Record Keeping Requirements	\$ -

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Part II – Financial Statement Findings Section, Continued

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-92	Fixed Assets – Common Rule Record Keeping Requirements	\$ -
98-93	Fixed Assets Inspection	\$ -
98-94	Fixed Assets Inspection	\$ -
98-95	Special Revenue – Federal Fund 101	\$ -
98-96	Special Revenue – Federal Fund 101	\$ -
98-97	Special Revenue – Federal Fund 101	\$ -
98-98	Special Revenue – Federal Fund 101	\$ -
98-99	Special Revenue – Federal Fund 101	\$ -
98-100	Special Revenue – Federal Fund 101	\$ -
98-101	Special Revenue – Federal Fund 101	\$ -
98-102	Superior Court of Guam	\$ -
98-103	Travel	\$ -
98-104	Travel	\$ -
98-105	Travel	\$ -
98-106	Travel	\$ -
98-107	Revenue/Receipts	\$ -
98-108	Department of Education – Payroll	\$ -
98-109	Department of Administration – Payroll	\$ -
98-110	Procurement	\$ -
98-111	General Computer Controls	\$ -
98-112	Appropriations	\$ -
98-113	Encumbrance	\$ -
98-114	General Fund – Accounts Payable	\$ -
98-115	General Fund – Accounts Payable	\$ -
98-116	General Fund – Accounts Payable	\$ -

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

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

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-01	Reporting	\$ -
98-02	Special Tests and Provisions – Issuance Document Security	43,093
98-03	Special Tests and Provisions – Quality Control Unit	-
98-04	Special Tests and Provisions – ADP System for Food Stamps	-
98-05	Reporting	-
98-06	Reporting	-
98-07	Eligibility	-
98-08	Eligibility	-
98-09	Eligibility	-
98-10	Eligibility	-
98-11	Eligibility	-
98-12	Reporting	-
98-13	Reporting	321,552
98-14	Reporting	-
98-15	Allowable Costs/Cost Principle	20,589
98-16	Allowable Costs/Cost Principle	205,835
98-17	Procurement and Suspension and Debarment	2,099,709
98-18	Reporting	-
98-19	Special Tests and Provisions – Federal Fair Labor Standards Act	-
98-20	Eligibility	-
98-21	Matching, Level of Effort, Earmarking	-
98-22	Subrecipient Monitoring	-
98-23	Reporting	-
98-24	Allowable Costs/Cost Principles	-
98-25	Procurement and Suspension and Debarment	1,239,987
98-26	Activities Allowed or Unallowed	-
98-27	Eligibility	-
98-28	Eligibility	-
98-29	Reporting	-
98-30	Allowable Costs/Cost Principles	21,471
98-31	Reporting	-
98-32	Allowable Costs/Cost Principles	117,675
98-33	Eligibility	150,069
98-34	Eligibility	-
98-35	Allowable Costs/Cost Principles	2,802,821
98-36	Allowable Costs/Cost Principles	137,447
98-37	Period of Availability of Federal Funds	-
98-38	Eligibility	-
98-39	Eligibility	-
98-40	Subrecipient Monitoring	-
98-41	Reporting	-
98-42	Eligibility	-

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

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

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-43	Special Tests and Provisions – Child Support Non-Cooperation	-
98-44	Reporting	-
98-45	Allowable Costs/Cost Principles	-
98-46	Special Tests and Provisions – Enforcement of Support	-
	Obligations	-
98-47	Eligibility	-
98-48	Eligibility	-
98-49	Period of Availability of Federal Funds	-
98-50	Reporting	-
98-51	Matching, Level of Effort, or Earmarking	129,996
98-52	Subrecipient Monitoring	-
98-53	Eligibility	-
98-54	Eligibility	-
98-55	Eligibility	-
98-56	Special Tests and Provisions - ADP Risk Analysis and System	-
	Security Review	-
98-57	Subrecipient Monitoring	-
98-58	Equipment and Real Property Management	-
98-97	Cash Management	-

# GOVERNMENT OF GUAM

## U. S. Department of Agriculture Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-01	10.551 10.561	In accordance with OMB Circular A-133 reporting requirements, quarterly reports (i.e., SF-269) are due on January 30, April 30, July 30 and October 30; and monthly reports (i.e., SF-250) are due 45 days after the reporting month.	\$ -

### Condition:

1. The quarterly SF-269 reports were submitted late, as follows:

Quarter	Date Due	Date Submitted	Days Late
1	01/30/98	02/06/98	7
2	04/30/98	05/01/98	1
3	07/30/98	08/13/98	14
4	10/30/98	12/15/98	46
Final	12/30/98	02/11/99	43

2. The monthly SF-250 reports were submitted late, as follows:

Month	Date Due	Date Submitted	Days Late
November	01/14/98	01/20/98	6
December	02/14/98	03/17/98	31
March	05/15/98	05/20/98	5
April	06/14/98	06/17/98	3
June	08/14/98	08/19/98	5

### Cause:

There appears to be weak internal control procedures over ensuring that reports are submitted in a timely manner.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future grants to be delayed or withheld.

### Recommendation:

The grantee should strengthen internal control procedures to ensure that quarterly and monthly reports are submitted in a timely manner in accordance with OMB Circular A-133 reporting requirements. The program administrator should develop a timetable of reports and their respective due dates; at the beginning of each month, the administrator should circulate reminders of upcoming report deadlines to all report preparers.

# GOVERNMENT OF GUAM

## U. S. Department of Agriculture Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-02	10.551 10.561	In accordance with OMB Circular A-133 special tests and provisions requirements, the State must maintain adequate security over, and documentation/records for, food stamp coupons to prevent unauthorized transfer, negotiation, or use of coupons (7 CFR section 274.7). Furthermore, participants should receive their entire approved allotments.	\$ 43,093

### Condition:

During fiscal year 1998, a total of \$43,093 was overissued to participants by the contracted food coupon issuer.

### Cause:

There appears to be a lack of internal control policies and procedures over ensuring that the contracted food coupon issuer gives participants no more and no less than their approved allotments.

### Effect:

A questioned cost of \$43,093 exists, as follows:

Month	Underissuance	Overissuance
October 1997	\$ 167	\$ 39
November 1997	67	265
December 1997	-	41,026
January 1998	161	220
February 1998	416	24
March 1998	193	51
April 1998	338	181
May 1998	145	91
June 1998	218	561
July 1998	73	210
August 1998	78	307
September 1998	<u>71</u>	<u>118</u>
Totals	\$ <u>1,927</u>	\$ <u>43,093</u>

### Recommendation:

The grantee should coordinate efforts with its contracted food coupon issuer to establish and implement control policies and procedures to avoid unauthorized transfer, negotiation, or use of coupons in accordance with 7 CFR 274.7. Furthermore, signs should be posted at the issuance locations, cautioning participants to count their coupons to ensure complete receipt of their benefits.

**GOVERNMENT OF GUAM**

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-03	10.551 10.561	In accordance with Quality Control Operating Procedures, the Bureau of Economic Security (BES) should resolve discrepancies in excess of \$5 within 10 days.  <u>Condition:</u>  For 3 (or 12%) out of 25 files tested (i.e., review # 88-12-14, 88-07-16, and 88-09-01), BES did not sign the Quality Control Review sheet to indicate whether the discrepancy determined by the quality control reviewer was resolved.  <u>Cause:</u>  There appears to be weak internal controls over ensuring that Quality Control Operating Procedures are followed.  <u>Effect:</u>  There is a potential for BES operations to be deficient.  <u>Recommendation:</u>  The Bureau of Economic Security should strengthen internal controls to ensure that discrepancies identified by the quality control reviewer are investigated and resolved in accordance with Quality Control Operating Procedures.	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-04	10.551 10.561	In accordance with OMB Circular A-133 special tests and provisions requirements and 7 CFR section 272.10 and 277.18, state agencies are required to automate their food stamp program operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning the food stamp program.	\$ -
<u>Condition:</u>			
The grantee's food stamp program operations are not automated.			
<u>Cause:</u>			
The cause of this condition is unknown.			
<u>Effect:</u>			
There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements.			
<u>Recommendation:</u>			
The grantee should automate its food stamp program operations in accordance with OMB Circular A-133 special tests and provisions requirements and 7 CFR section 272.10 and 277.18.			



## GOVERNMENT OF GUAM

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-05	10.551 10.561	In accordance with 7 CFR part 3015, all programmatic records, such as shipment reports and issuance certifications, should be maintained on file for at least three years.	\$ -

Condition:

The following programmatic records were not provided for examination:

- a. Monthly FCS 261 Shipment Report for December 1997.
- b. Monthly certification prepared by the food coupon distribution contractor for December 1997 and June 1998.

Cause:

There appears to be weak internal controls over ensuring that such records as shipment reports and issuance certifications are maintained on file for at least three years.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Common Rule records retention requirement.

Recommendation:

The grantee should strengthen recordkeeping controls to ensure that programmatic records, such as shipment reports and issuance certifications, are properly maintained on file in accordance with the Common Rule. Also, the grantee should locate and provide the requested documents to effect resolution of this finding.

# GOVERNMENT OF GUAM

## U. S. Department of Agriculture Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-06	10.553 10.555	The expenditures reported to the Federal Government on the financial status report (FSR) and the Reimbursement Claim should be reconciled.	\$ -

### Condition:

The FSR and the Reimbursement Claim for fiscal year 1998 differ as follows:

	Per Reimb Claim	Per FSR	Over (Under)
Breakfast			
1 <sup>st</sup> Qtr	\$ 266,107	\$ 236,330	\$ (29,777)
2 <sup>nd</sup> Qtr	249,443	244,871	( 4,572)
3 <sup>rd</sup> Qtr	212,466	212,466	-
4 <sup>th</sup> Qtr	<u>206,975</u>	<u>165,752</u>	<u>(41,223)</u>
	\$ <u>934,991</u>	\$ <u>859,419</u>	\$ <u>(75,572)</u>
Lunch			
1 <sup>st</sup> Qtr	\$ 795,295	\$ 758,763	\$ (36,532)
2 <sup>nd</sup> Qtr	842,982	896,003	53,021
3 <sup>rd</sup> Qtr	725,120	725,120	-
4 <sup>th</sup> Qtr	<u>640,286</u>	<u>540,343</u>	<u>(99,943)</u>
	\$ <u>3,003,683</u>	\$ <u>2,920,229</u>	\$ <u>(83,454)</u>
Total underreported			\$ <u>(159,026)</u>

### Cause:

There appears to be a lack of controls over ensuring that the FSR and the Reimbursement Claim are reconciled.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, it appears that a total of \$159,026 in expenditures has been underreported.

### Recommendation:

The grantee should establish and implement internal controls to ensure that the responsible person reconciles the financial status reports and the Reimbursement Claims at the end of the quarter prior to submission to the Federal Government.

## GOVERNMENT OF GUAM

### U. S. Department of Agriculture Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-07	10.553 10.555	<p>In accordance with the 7 CFR part 3015, all financial and programmatic records, such as student listings, applications, and review determinations, should be documented on file for at least three years to substantiate Program transactions.</p> <p><u>Condition:</u></p> <p>For two (or 8%) out of 26 students selected, the following requested documents were not provided for review:</p> <ol style="list-style-type: none"><li>1. List of students under the programs at Chief Brodie Memorial School and the resulting student application.</li><li>2. Signed "Check List: Review Determination" for a student at Bishop Baumgartner Memorial School.</li></ol> <p><u>Cause:</u></p> <p>There appears to be a lack of controls over ensuring that documents are maintained on file for at least three years.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Common Rule records retention requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal recordkeeping controls to ensure that documents are maintained on file for at least three years in accordance with the Common Rule.</p>	\$ -

## GOVERNMENT OF GUAM

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-08	10.557	<p>In accordance with OMB Circular A-133 eligibility requirements and 7 CFR 246.7, an applicant's Nutritional Risk Assessment, Priority and Food Package Assignment, and WIC Physician Referral Form must be certified by a "competent professional authority," which is defined as "physicians, nutritionists, dieticians, registered nurses, certified physician's assistants, or state or local medically trained health officials."</p> <p><u>Condition:</u></p> <p>For 2 (or 5%) out of 38 case files tested (i.e., I.D. # 205014 and 403440), the signature of the competent professional authority is not apparent.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that a competent professional authority certifies an applicant's Physician Referral Form.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, there is a potential for food costs and other expenses to be invalid due to the issuance of WIC benefits to participants who would have otherwise been certified ineligible by a competent professional authority. Furthermore, there is a potential for improper nutritional risk assessments and certification.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen internal controls to ensure that a competent professional authority signs the WIC Physician Referral Form and performs the nutritional risk assessment and eligibility certification of an applicant in accordance with OMB Circular A-133 eligibility requirements and 7 CFR 246.7.</p>	\$ -

## GOVERNMENT OF GUAM

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-09	10.557	Participant recertification must occur within six months after the initial certification.	\$ -

Condition:

For 6 (or 16%) out of 38 case files tested, the recertification period was not met, as follows:

I.D. #	Initial Certification	Recertification Date	Days Late
401846	10/11/96	9/30/98	537
403328	02/11/98	None	50
402582	11/24/97	None	129
501404	12/01/97	None	121
205014	05/19/97	05/19/98	181
102534	11/20/97	07/30/98	71

Cause:

There appears to be weak internal controls over ensuring that participants are recertified in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee appears to be in noncompliance with eligibility requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

Recommendation:

The grantee should strengthen internal controls to ensure that participants are recertified within six months after the initial certification.

**GOVERNMENT OF GUAM**

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-10	10.557	In accordance with the Common Rule and 7 CFR 246.25, full and complete records concerning program operations, i.e., initial certification forms, case history forms, medical forms, and termination forms, shall be retained for a minimum of three years to substantiate a participant's eligibility determination.	\$ -

Condition:

Out of 38 case files tested, we noted the following conditions:

- a) For 1 case (or 3%) (i.e., I.D. # 100162), no initial certification form is documented in the file.
- b) For 2 cases (or 5%) (i.e., I.D. # 402391 and 403597), no medical referral form or blood test is documented in the file.
- c) For 3 cases (or 8%) (i.e., I.D. # 400014, 205837, and 100162), no termination form is documented in the file.

Cause:

There appears to be weak recordkeeping controls.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee appears to be in noncompliance with the Common Rule and eligibility requirements.

Recommendation:

The grantee should strengthen recordkeeping controls to ensure that records, such as initial certification forms, case history forms, medical forms, and termination forms, are retained on file for a minimum of three years in accordance with the Common Rule.

**GOVERNMENT OF GUAM**

U. S. Department of Agriculture  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-11	10.557	Participants shall sign the voucher issuance register to evidence receipt of the voucher.	\$ -
		<u>Condition:</u>  For 2 (or 5%) out of 38 vouchers tested (i.e., # 2442836 and 2445626), the voucher number could not be located in the voucher issuance register.	
		<u>Cause:</u>  There appears to be weak internal controls over ensuring that all vouchers are accounted for.	
		<u>Effect:</u>  There is no known effect on the financial statements as a result of this condition. However, there is a potential for vouchers to be issued to unauthorized individuals.	
		<u>Recommendation:</u>  The grantee should strengthen internal control procedures to ensure that all food instruments are accounted for.	

## GOVERNMENT OF GUAM

### U. S. Department of Agriculture Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-12	10.557	Rebate amounts per the Rebate Claim Schedule and the FNS-498 Report should be reconciled.	\$ -

#### Condition:

The rebate amounts per the Rebate Claim Schedule and the FNS-498 Report differ, as follows:

<u>Issuance Month</u>	<u>Per Rebate Claim Schedule</u>	<u>Per FNS-498 Report</u>	<u>Over (Under) Reported</u>
December 1997	\$ 77,123	\$ 79,054	\$ 1,931
January 1998	\$ 91,360	\$ 79,075	\$ (12,285)

#### Cause:

Based on discussions with Program personnel, variances are due mainly to the effects of Typhoon Paka on Program operations.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, it appears that rebates are underreported in the FNS-498 Reports.

#### Recommendation:

The grantee should ensure that rebate amounts per the Rebate Claim Schedule and the FNS-498 Report are reconciled.



# GOVERNMENT OF GUAM

## U. S. Department of Defense Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-13	12.401	<p>In accordance with the Master Cooperative Agreement Article VI-Payment Section 601, the grantee should periodically, but no less than once a month, provide to the United States Property Fiscal Officer (USPFO) (for ARNG reimbursements) and to the Assistant USPFO for Air (Fiscal) (for ANG reimbursements) a certified statement itemizing the amount of funds expended during the preceding month and the corresponding accounting classification to be charged. Furthermore, the grantee is required to submit to the National Guard Bureau (NGB) a full and final accounting, liquidating all payments or reimbursements for a fiscal year, within 90 days of the end of the fiscal year.</p> <p><u>Condition:</u></p> <p>For 10 out of 12 months tested (i.e., from October 1997 to June 1998 and August 1998), no certified voucher was prepared by the grantee. Furthermore, a total of \$321,552 was liquidated after the allowable 90-day period.</p> <p><u>Cause:</u></p> <p>Based on discussions with the Department of Military Affairs Administrative Services Officer, a staff shortage prevented the timely preparation and submission of certified vouchers and of liquidations.</p> <p><u>Effect:</u></p> <p>Delayed submissions result in the delayed receipt of reimbursements. As of September 30, 1998, total receivables from the National Guard Bureau is \$1,440,808. Furthermore, a questioned cost of \$321,552 exists.</p> <p><u>Recommendation:</u></p> <p>The grantee should ensure that the certified vouchers are prepared and submitted in a timely manner in accordance with the Master Cooperative Agreement. Furthermore, at the end of the fiscal year, the responsible person should ensure that all payments or reimbursements are liquidated within 90 days.</p>	\$ 321,552

**GOVERNMENT OF GUAM**

U. S. Department of Defense  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-14	12.401	<p>In accordance with the Master Cooperative Agreement Appendices Budget Requirements Section, the grantee shall reconcile budget amounts with the National Guard Bureau (NGB) periodically, as of December 31, March 31, June 30, and September 30, and submit a report within 30 days after each quarter.</p> <p><u>Condition:</u></p> <p>No quarterly reconciliations were prepared.</p> <p><u>Cause:</u></p> <p>Based on discussions with the Quartermaster, no reconciliations or reports were prepared during fiscal year 1998 due to the mobilization of the Guam National Guard for the Typhoon Paka recovery operation.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the terms and conditions of the Master Cooperative Agreement.</p> <p><u>Recommendation:</u></p> <p>The grantee should ensure that the required budget reconciliations are filed in a timely manner.</p> <p><u>Auditors' Response:</u></p> <p>The grantee disagrees with the finding and indicates that Program Directors completed the required reconciliations. Subsequently, the auditors requested the required quarterly reconciliations from the United States Property and Fiscal Officer. However, the requested reports were not provided as of report issuance. Therefore, this condition remains an audit finding.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Defense  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-15	12.401	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as check copies, invoices, and receiving reports, should be maintained on file to substantiate expenditures.	\$ 20,589

Condition:

For 3 (or 38%) out of 8 transactions, no check copy, invoice, receiving report, or payment request was on file to substantiate the following expenditures:

Transaction				
Date	Transaction #	Vendor #	Reference #	Amount
9/21/98	951203290	E3073301	P986A06944	\$ 1,563
9/30/98	951224219	D5266002	D983700019	10,844
9/30/98	951231760	F6973001	D983700022	8,182
				<u>\$ 20,589</u>

Cause:

There appears to be weak recordkeeping controls.

Effect:

A questioned cost of \$20,589 exists.

Recommendation:

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

Auditors' Response:

The grantee subsequently provided a purchase order and requests for direct payment forms. However, such documents are not sufficient to substantiate the expenditures. Therefore, this condition remains an audit finding.

**GOVERNMENT OF GUAM**

U. S. Department of the Interior  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-16	15.875	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as check copies, payment request, invoices, and receiving reports, should be maintained on file to substantiate expenditures.	\$ 205,835

Condition:

For 7 (or 20%) out of 35 transactions, no check copies, invoices, receiving reports or other supporting documents are on file to substantiate expenditures the following expenditures:

<u>Check</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
<u>Date</u>				
07/31/98	934326	H0303201	P986P01113	\$ 2,632
07/31/98	934326	H0303201	P986P01113	2,632
07/31/98	934326	H0303201	P986P01113	2,632
07/31/98	934326	H0303201	P986P01113	2,632
07/31/98	934326	H0303201	P986P01113	2,632
07/31/98	934456	S1821504	C980602230	44,085
N/A	#950958204	J0083132	C980600920	<u>148,590</u>
			Total	\$ <u>205,835</u>

Cause:

There appears to be weak internal controls over ensuring that documents are maintained in accordance with OMB Circular A-133 and the Common Rule.

Effect:

A questioned cost of \$205,835 exists.

Recommendation:

The grantee should strengthen recordkeeping controls to ensure compliance with OMB Circular A-133 and the Common Rule.

**GOVERNMENT OF GUAM**

U. S. Department of the Interior  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-17	15.875	In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.	\$ 2,099,709

Condition:

For 15 (or 43%) out of 35 transactions, there is no significant history of the procurement on file for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
12/10/97	910351	J0083132	C980600920	\$ 229,724
12/10/97	910351	J0083132	C980600920	70,276
01/30/98	915015	H1034101	C980601040	42,400
02/20/98	916974	J0083132	C980600920	252,560
03/10/98	918830	M1703001	C980600480	29,419
03/26/98	920634	J0083132	C980600920	400,000
06/05/98	928135	S1821504	C980602230	43,597
07/17/98	932890	J0083132	C980600920	51,578
07/31/98	934456	S1821504	C980602230	44,085
09/11/98	938362	J0083132	C980600920	337,500
09/11/98	938362	J0083132	C980600920	59,400
10/14/98	942011	C6464001	C980603410	132,129
	#950958204	J0083132	C980600920	148,590
	J98AC00010	J0083132	C980600920	112,500
	J98AC00010	J0083132	C980600920	<u>45,951</u>
Total				\$ <u>1,999,709</u>

Furthermore, for 2 (or 6%) out of 35 expenditures tested, no procurement procedures were followed in procuring services from vendor number M8511001 under contract number C980602830, paid with check # 931372 for \$50,000 on May 28, 1998, and with check # 936770 for \$50,000 on July 9, 1998, resulting in a total questionable cost of \$100,000.

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost of \$2,099,709 exists.

**GOVERNMENT OF GUAM**

U. S. Department of the Interior  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
98-17	15.875	The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of the Interior  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-18	15.875	<p>In accordance with the Common Rule, the grantee shall submit financial reports to the Grantor agency.</p> <p><u>Condition:</u></p> <p>Copies of financial reports were not provided for review.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of recordkeeping controls.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, it appears that the grantee is in noncompliance with the Common Rule reporting and records retention requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish recordkeeping controls to ensure that copies of financial reports are maintained on file.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Justice  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-19	16.000	<p>In accordance with the Cooperative Agreement, all laborers and mechanics employed by contractors or subcontractors of Federally assisted construction contracts must meet minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act.</p> <p><u>Condition:</u></p> <p>Federally assisted construction contract number C970660324, totaling \$2,921,450 for the construction of the Hagatna territorial detention facility, was awarded to vendor number F3496004. However, there is no documentation on file to indicate whether the grantee monitored the vendor for compliance with the Federal Fair Labor Standards Act.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal controls over ensuring compliance with the Cooperative Agreement.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee appears to be in noncompliance with the Cooperative Agreement.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement monitoring procedures to ensure that contractors of Federally assisted construction contracts are in compliance with the Federal Fair Labor Standards Act.</p>	\$ -



# GOVERNMENT OF GUAM

## U. S. Department of Labor Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-20	17.246 17.250	In accordance with OMB Circular A-133 eligibility requirements and 29 CFR 97, programmatic records substantiating eligibility should be maintained on file for at least three years. Such records include the layoff or termination notice; temporary layoff or termination notice; if self-employed, a sworn applicant statement (self-certification) with a corroborating witness attestation (including farmers and ranchers); and a certification from the Guam Employment Service (GES) that the participant was actively seeking employment prior to the application for JTPA Title III assistance.	\$ -

### Condition:

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

1. For 27 cases (or 60%), no notice of termination, layoff, or temporary layoff, or sworn applicant statement is in the file for the following cases:

1	586-05-1633	8	568-51-9021	15	586-68-5532	22	586-74-7653
2	586-07-3248	9	586-03-5338	16	586-70-2208	23	586-76-5492
3	586-68-2817	10	586-24-3885	17	586-70-4173	24	586-98-3309
4	586-70-4515	11	586-60-9680	18	586-70-9091	25	586-01-2066
5	586-03-4272	12	586-06-1161	19	586-60-9071	26	586-70-3823
6	586-74-3138	13	586-80-0348	20	586-84-2703	27	586-01-3855
7	221-46-5809	14	586-64-9699	21	586-72-0841		

2. For 34 cases (or 76%), the GES certification in each of the following files does not indicate whether the applicant was actively seeking employment prior to applying for benefits:

1	586-03-1555	13	586-03-5338	25	519-39-1225
2	586-03-3208	14	586-24-3885	26	586-03-3038
3	586-11-9148	15	586-60-9680	27	586-64-8236
4	586-68-7488	16	586-64-9699	28	586-66-3130
5	586-68-7547	17	586-68-5532	29	586-66-9614
6	586-90-0027	18	586-70-2208	30	586-72-8264
7	586-05-1633	19	586-70-4173	31	586-72-8377
8	586-07-3248	20	586-70-9091	32	586-74-2143
9	586-68-2817	21	586-72-0841	33	586-76-2846
10	586-70-4515	22	586-74-7653	34	586-96-4150
11	221-46-5809	23	586-76-5492		
12	568-51-9021	24	586-98-3309		

**GOVERNMENT OF GUAM**

U. S. Department of Labor  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Cause:</u>	<u>Questioned Costs</u>
98-20	17.246 17.250	There appears to be a lack of internal controls over ensuring that the required notices, affidavits, or certifications are documented in the case file.	\$ -
		<u>Effect:</u>  The grantee is in noncompliance with OMB Circular A-133 eligibility requirements and 29 CFR 97.	
		<u>Recommendation:</u>  The grantee should establish and implement internal control policies and procedures to ensure that the required notices, affidavits, or certifications are obtained and documented on file in accordance with OMB Circular A-133 eligibility requirements and the Common Rule. The responsible person should not approve the case file for eligibility unless the required documents are in the file.	

**GOVERNMENT OF GUAM**

U. S. Department of Labor  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-21	17.246 17.250	<p>In accordance with the Job Training Partnership Act (JTPA), the following percentages for the State's Title II allotment must be set aside: State-level Administration, Management and Auditing Activities (5%), State Education Coordination and Grants (8%), and Older Individual Programs (Title II-A Program) (5%).</p> <p><u>Condition:</u></p> <p>No amounts were expended under the JTPA program for the accounts listed above.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal control policies and procedures over ensuring that earmarking requirements are followed.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Job Training Partnership Act.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure that earmarking requirements are followed in accordance with the JTPA.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Labor  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-22	17.246 17.250	In accordance with the Job Training Partnership Act (JTPA), subrecipient monitoring should be performed on a regular basis, but not less than once annually.	\$ -
<u>Condition:</u>			
For 3 out of 5 subrecipients tested, a monitoring report was not generated for fiscal year 1998.			
<u>Cause:</u>			
There appears to be a lack of internal control policies and procedures over ensuring that monitoring requirements are followed.			
<u>Effect:</u>			
There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Job Training Partnership Act.			
<u>Recommendation:</u>			
The grantee should establish and implement internal control policies and procedures to ensure that monitoring requirements are followed in accordance with the JTPA.			

**GOVERNMENT OF GUAM**

U. S. Department of Labor  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-23	17.246 17.250	Expenditures recorded on JTPA Title II Quarterly Status Report (Form ETA 9040) and Dislocated Worker Special Project Report (Form ETA 9038) should be substantiated by expenditures recorded in the financial statements (AS/400).	\$ -

Condition:

The following discrepancies were noted:

	<u>Per Report</u>	<u>Per AS/400</u>	<u>Difference</u>
Form ETA 9040	\$ 949,872	\$ 238,825	\$ (711,047)
Form ETA 9038	<u>685,701</u>	<u>940,550</u>	<u>254,849</u>
	<u>\$1,635,573</u>	<u>\$1,179,375</u>	<u>\$ 456,198</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that expenditures reported in programmatic records are supported by the financial statements.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for expenditures to be misreported.

Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that all expenditures reported in programmatic documents are supported by amounts recorded in the financial statements.

**GOVERNMENT OF GUAM**

U. S. Department of Transportation  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-24	20.205	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, financial records, such as check copies to substantiate payments to the correct vendors, should be maintained on file for at least three years.	\$ -

Condition:

For 6 (or 12%) out of 50 transactions, no check copies are on file to substantiate the following payments:

	<u>Transaction #</u>	<u>Date</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	931441	061898	H0303201	D981060116	\$ 150,746
2.	931441	061898	H0303201	D981060115	193,114
3.	931783	070198	R1104031	C980600120	592,023
4.	932050	062698	M0096766	C980600110	125,825
5.	938604	091498	J0083153	C980602470	71,269
6.	951242010	093098	B0344001	D981060305	52,469
	Total				<u>\$1,185,446</u>

Cause:

There appears to be weak internal controls over ensuring that financial records, such as check copies, are maintained on file for at least three years.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Common Rule. Since documents, such as vendor invoices, receiving reports, and approved payment requests, are on file to substantiate expenditures, no questioned cost exists.

Recommendation:

The grantee should strengthen recordkeeping controls to ensure that financial records, such as check copies to substantiate payments to the correct vendors, are maintained on file for at least three years in accordance with OMB Circular A-133 and the Common Rule.

## GOVERNMENT OF GUAM

U. S. Department of Transportation  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-25	20.205	In accordance with the Federal Highway Administration Emergency Relief Manual, Section K., the grantee should maintain a summary showing how the solicitation was conducted, who was contacted, and the preparation of responses by the contractors.	\$ 1,239,987

Condition:

For 5 (or 16%) out of 31 projects, there is no documentation on file to substantiate the vendor selection process for the following:

<u>Vendor #</u>	<u>Project Description</u>	<u>Amount</u>
G3664001	Highway Sign Paka Emergency Restoration	\$ 287,755
G3664001	Installation of Regulatory Signs, Paka	53,607
B0054001	Islandwide Guam Bridges Typhoon Cleanup	16,106
B0344001	Islandwide Traffic Signalization Repairs	79,127
B0344001	PL24-117 GU-ER-098-1(003)TSS Paka Emergency Repair	<u>803,392</u>
	Total	<u>\$1,239,987</u>

Cause:

There appears to be a lack of internal controls over procurement to ensure compliance with the FHA Emergency Relief Manual.

Effect:

The grantee is in noncompliance with the FHA Emergency Relief Manual. A questioned cost of \$1,239,987 exists.

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with the FHA Emergency Relief Manual. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless the significant history of the vendor solicitation process is documented on file.

Auditors' Response:

The grantee indicates that documents are available for review. Subsequently, the auditors reviewed such available documents, noting the required records to substantiate the vendor selection process are not on file as described in the condition.

**GOVERNMENT OF GUAM**

U. S. Department of Transportation  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-26	20.205	In accordance with OMB Circular A-133, State-owned lands may be exchanged for lands required for highway purposes, however, federal funds may not reimburse for more than the fair market value of the land required for highway purposes, plus damages. At least two independent appraisals should be performed to determine the fair market value of the land, and reimbursement should be based on the lowest appraisal.	\$ -

Condition:

For all three land acquisitions tested, only one appraisal was obtained for each of the following:

	Check Number	Invoice Number	Amount
1.	932855	LT5160PR1	\$ 323,512
2.	935744	LT10-2G	32,654
3.	935746	LT10-3-1G	<u>60,958</u>
			<u>\$ 417,124</u>

Cause:

There appears to be a lack of internal controls over ensuring that at least two appraisals are obtained prior to the acquisition of land.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the grantee to be acquiring land at a cost higher than market value.

Recommendation:

The grantee should obtain two independent appraisals of the fair market value of land to ensure compliance with OMB Circular A-133.



## GOVERNMENT OF GUAM

### Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-27	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, such records as the case file, including the Guam Employment Service (GES) 511 form, check stub prior to disaster, picture identification, social security card, gross receipts document, and FEMA/SBA report, should be maintained.	\$ -

#### Condition:

Out of 45 files tested, we noted the following:

1. For 7 cases (or 16%) (i.e., # 5A948946, 5A077713, 5D369057, 5M768476, 5R426046, 5S080358, and 5S715849), no check stub prior to the disaster is in the file.
2. For 7 cases (or 16%)(i.e., # 5C626708, 5Q106775, 5S620222, 5S076692, 5S940116, 5B010115, and 586841222), no GES 511 form is in the file.
3. For 2 cases (or 4%) (i.e., # 5A948946 and 5D369057), no picture identification is in the file.
4. For 1 case (or 2%) (i.e., # 5B017202), no identification reflecting the applicant's social security number is in the file, also no gross receipts documents or FEMA/SBA report substantiating loss is in the file.
5. For 1 case (or 2%) (i.e., # 5C774340), the case file could not be located.

#### Cause:

There appears to be a lack of internal control policies and procedures over ensuring that DUA operating procedures are followed. Based on our discussion with the DUA Program Coordinator, DUA personnel were working under conditions of no electricity, making it very difficult to use the photocopying machine. Thus, in some cases, no copies of the required documents could be obtained at the time of application.

#### Effect:

The grantee is in noncompliance with OMB Circular A-133 eligibility requirements and the Disaster Unemployment Assistance Operating Procedures.

#### Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that the required documents are obtained and documented on file either during the application process or at the earliest subsequent date in accordance with Disaster Unemployment (DUA) operating procedures.

**GOVERNMENT OF GUAM**

Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-28	83.541	<p>In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, Guam Employment Service must promptly announce, through all available news media, including newspapers, radio and television, that disaster unemployment assistance is available. The announcement must indicate that initial applications must be filed within 30 days of the Presidential declaration of a disaster (i.e., by January 16, 1998).</p> <p><u>Condition:</u></p> <p>Publication in the local newspaper indicated that individuals must submit applications by December 31, 1998.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal controls over ensuring that DUA Operating Procedures are followed.</p> <p><u>Effect:</u></p> <p>The grantee is in noncompliance with Disaster Unemployment Assistance Operating Procedures. It appears that disaster victims were not given full opportunity to apply for assistance.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure compliance with DUA Operating Procedures and to give disaster victims full opportunity to apply for assistance.</p>	\$ -

## GOVERNMENT OF GUAM

Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-29	83.541	<p>In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, a weekly telegraphic report is to be submitted to the National Office for the first eight weeks after the announcement date on which the President declared a disaster. Furthermore, a report on activities performed during the month is due in the National Office on the 10<sup>th</sup> working day of the following month.</p> <p><u>Condition:</u></p> <p>For 1 (or 13%) out of 8 weeks tested, the report for the week ended January 10, 1998, was combined with the January 17, 1998 report. Also, for 5 (or 63%) out of 8 weekly reports (i.e., the weeks ended 12/27/97, 01/03/98, 01/10/98, 01/17/98, and 01/24/98), no transmittal confirmation is on file to indicate whether the weekly report was sent and received by the National Office.</p> <p>Furthermore, no monthly reports were prepared.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal control policies and procedures over ensuring that reports are prepared and transmitted in accordance with DUA Operating Procedures.</p> <p><u>Effect:</u></p> <p>The grantee is in noncompliance with reporting requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure that all reports are prepared and transmitted in accordance with Disaster Unemployment Assistance Operating Procedures.</p>	\$ -

# GOVERNMENT OF GUAM

## Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-30	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, all unrecovered overpayments at the end of the DUA program period must be submitted to the Department of Administration, Division of Accounts, for recovery through the Government of Guam process.	\$ 21,471

### Condition:

Unrecovered overpayments were not submitted to the Department of Administration.

### Cause:

There appears to be a lack of internal control policies and procedures over ensuring that DUA Operating Procedures are followed. Based on our discussion with the DUA Program Coordinator, the program was not closed because the appeals process, which includes recoveries, is still pending approval by the Department of Labor, Region IX.

### Effect:

The grantee is in noncompliance with reporting requirements. A questioned cost of \$21,471 exists.

### Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that the required documents are prepared and submitted within the required time period in accordance with DUA Operating Procedures.

# GOVERNMENT OF GUAM

## Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-31	83.543	In accordance with OMB Circular A-133 reporting requirements,	\$ -

1. Quarterly reports (i.e., SF-269) are due on April 30, July 30 and October 30, and final reports are due on December 30.
2. Disaster Automated Reporting and Information System (i.e., DARIS Form 76-28) reports are due every other day until the end of IFG (Individual and Family Grant) Disaster Field Office (DFO) operations (i.e., 7/23/98) and monthly thereafter until the program is closed (i.e., 12/12/98).

### Condition:

1. The quarterly SF-269 reports were submitted late or not submitted as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
2	04/30/98	5/1/98	1
3	07/30/98	Unknown	Unknown
4	09/30/98	Not submitted	n/a
Final	12/31/98	Unknown	Unknown

2. For all reports, except for the report dates noted below, either the DARIS reports were not submitted or the submission date could not be verified.

Dates: 1/21/98, 3/16/98, 3/25/98, 3/26/98, 3/27/98, 4/4/98, 4/8/98, 4/22/98, 4/23/98, 4/28/98, 4/30/98, 5/5/98, 5/7/98, 5/18/98, and 5/21/98.

### Cause:

There appears to be weak internal controls over ensuring that reports are submitted in a timely manner.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future grants to be delayed or withheld.

### Recommendation:

The grantee should strengthen internal control procedures to ensure that SF-269 reports and DARIS reports are submitted in a timely manner in accordance with OMB Circular A-133 reporting requirements.

# GOVERNMENT OF GUAM

## Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-32	83.543	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as payment requests, should be maintained on file to substantiate expenditures.	\$ 117,675

### Condition:

For 18 (or 26%) out of 69 transactions, no payment request was provided to substantiate the following expenditures:

<u>Transaction No.</u>	<u>Amount</u>
389	\$ 13,400
390	12,644
423	11,490
462	11,670
487	11,216
534	11,454
551	11,135
575	11,813
579	10,083
606	<u>12,770</u>
Total	\$ <u>117,675</u>

### Cause:

There appears to be weak recordkeeping controls. Program personnel could not locate the requested check copies and/or payment requests.

### Effect:

A questioned cost of \$117,675 exists.

### Recommendation:

The Division of Accounts should strengthen recordkeeping controls to ensure that such financial records as check copies and payment requests are maintained on file for at least three years.

## GOVERNMENT OF GUAM

Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-33	83.543	In accordance with the Common Rule and Individual and Family Grant (IFG) administrative plan, all programmatic records, such as applicant information, disapproval letters, and application questionnaires, shall be documented in the file for review by the Administrative Panel.	\$ 150,069

Condition:

Out of 45 cases, we noted the following:

- 1) For 12 cases (or 27%), no applicant information is documented in the file to substantiate the eligibility of the following cases:

<u>FEMA #</u>	<u>Total Award</u>
PP-WVPYD	\$ 13,400
RP-WVHQH	12,770
RP-WVJMB	11,670
RP-WVJPO	12,644
RP-WVKDJ	13,336
RP-WVP6D	11,813
RPWVP6Z	11,490
RP-WVQYQ	11,216
RP-WVZGP	11,530
WVJM5	13,400
WVK5T	13,400
WVNU8	<u>13,400</u>
Total	\$ <u>150,069</u>

- 2) For 1 case (or 2%) (i.e., # WVMJ9), no disapproval letter is in the file.
- 3) For 2 cases (or 4%) (i.e., # RP-WVKRA and WVJ23), the Individual and Family Grant (IFG) category was not properly answered on the application questionnaire.

Cause:

There appears to be weak internal controls over ensuring that applicant information, disapproval letters, and complete application questionnaires are documented in accordance with the IFG administrative plan.

Effect:

A questioned cost of \$150,069 exists.

Recommendation:

The grantee should strengthen internal controls to ensure that the responsible personnel documents all programmatic records, such as applicant information, disapproval letters, and complete application questionnaires, in compliance with the Common Rule and IFG administrative plan requirements.

# GOVERNMENT OF GUAM

## Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-34	83.543	In accordance with OMB Circular A-133 special tests and provisions requirements and the Individual and Family Grant (IFG) administrative plan, all participant information shall be reviewed and signed for approval by the Administrative Panel.	\$ -

### Condition:

The signature of the reviewer and/or supervisor is not apparent in the following 26 (or 58%) out of 45 case files:

PP-WVPYD	RP-WVQYQ	WVMDB-B	WVX2E
RP-WVHQH	RP-WVZGP	WVMH6	WW27K
RP-WVJMB	RP-WWXHT	WVMJ9	WW4NS
RP-WVJPO	W V W V V	WVNU8	WX7UV
RP-WVP6D	WVJM5	WVPHB	WXXA6
RP-WVP6Z	WVK5T	WVQEQ	
RP-WVPSK	WVKWG-B	WVVE5	

### Cause:

There appears to be weak internal controls over ensuring that applicant information is reviewed and approved by the Administrative Panel.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the grantee to be issuing benefits to participants who would have otherwise been determined ineligible if their cases were properly reviewed.

### Recommendation:

The grantee should establish and enforce control procedures to ensure that each applicant's file is reviewed and signed by an authorized administrative panel.



# GOVERNMENT OF GUAM

## Federal Emergency Management Agency Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-35	83.544	In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as journal vouchers and bid abstracts, should be maintained on file to substantiate expenditures.	\$ 2,802,821

### Condition:

Out of 53 transactions, we noted the following:

1. For 2 transactions (or 4%), no journal vouchers are on file to substantiate the following expenditures:

<u>Vendor#</u>	<u>Transaction#</u>	<u>DSR#</u>	<u>AS/400 Amount</u>
N/A	J980663142	DSR92048,DSR92050,DSR21423,DSR21224,DSR21225,DSR21233,DSR21250,DSR21251,DSR21252,DSR21255,DSR21256,DSR21257,DSR21284,DSR21286,DSR21287,DSR21288,DSR21289,DSR21291,DSR21309,DSR21310,DSR21311,DSR21312,DSR21325,DSR21328,DSR21376,DSR21380,DSR21381,DSR21382,DSR21397,DSR21402,DSR91919,DSR91920,DSR91921,DSR91926,DSR91927,DSR91928,DSR21396	\$ 140,223
N/A	J980663147	DSR07371,DSR21420,DSR21430,DSR21411,DSR21410,DSR21756,DSR68883,DSR91925,DSR91945,DSR91952,DSR91953,DSR91954,DSR91980,DSR91993,DSR91997,DSR91972	46,562
Total Questionable Costs			<u>\$ 186,785</u>

**GOVERNMENT OF GUAM**

Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Condition:</u>	<u>Questioned Costs</u>
98-35	83.544	2. For 15 transactions (or 28%), no procurement documents, such as bid abstracts, were provided to substantiate the vendor selection for the following:	\$ -

<b>Vendor#</b>	<b>Check #</b>	<b>DSR#</b>	<b>DSR Amount</b>
J2496701	921327	DSR02210	\$ 640,000
B0054001	921685	DSR58966	434,322
R1104031	921689	DSR58967	335,998
B0344001	921686	DSR58964	276,500
B0054001	921685	DSR58960	242,250
M1734021	931944	DSR58963	140,000
S3006001	921690	DSR58993	108,800
E0098387	943011	DSR47305	121,021
D0096144	932040	DSR58889	93,262
P7465101	938478	DSR58871	156,428
F6973001	942759	DSR93983	98,950
L3384001	921687	DSR58965	74,000
P7455101	922090	DSR47252	48,000
20650000	944393	DSR58076	58,227
B6426001	928876	DSR91907	78,949
Total DSR Amount			\$ 2,906,707
X Federal Share			90%
Subtotal			\$ <u>2,616,036</u>

Cause:

There appears to be weak internal controls over recordkeeping to ensure that documents are maintained in accordance with OMB Circular A-133 and the Common Rule.

Effect:

A questioned cost of \$2,802,821 exists, as follows:

Condition 1	\$ 186,785
Condition 2	<u>2,616,036</u>
Total	<u>\$2,802,821</u>

Recommendation:

The Division of Accounts should strengthen recordkeeping controls to ensure that such financial records as check copies, payment requests, invoices, receiving reports, and bid abstracts are maintained on file for at least three years. Also, the grantee should locate and provide the requested check copies, payment requests, invoices, receiving reports and bid abstracts to effect resolution of this audit finding.

**GOVERNMENT OF GUAM**

Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-36	83.544	In accordance with OMB Circular A-133 allowable costs/cost principles, expenditures charged to Federal funds should agree with the corresponding Damage Survey Report (DSR).	\$ 137,447

Condition:

For 2 (or 4%) out of 53 transactions, the transaction amount exceeds the referenced DSR, as follows:

<u>Vendor #</u>	<u>Transaction #</u>	<u>DSR #</u>	<u>Approved DSR Amount</u>	<u>Transaction Amount</u>	<u>Variance</u>
A2031601	931667	DSR61487	\$ 44,001	\$ 143,701	\$ 99,700
N/A	J980662337	DSR61484	\$ (6,305)	\$ 31,442	37,747
Total Questionable Costs					<u>\$ 137,447</u>

Cause:

The cause of this condition is unknown.

Effect:

A questioned cost of \$137,447 exists.

Recommendation:

The grantee should ensure that transaction amounts are supported by the referenced DSR in accordance with OMB Circular A-133 allowable costs/cost principles.

# GOVERNMENT OF GUAM

## U. S. Department of Education Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-37	84.027 84.173	In accordance with OMB Circular A-133 period of availability of Federal funds requirements, grant funds are available for expenditure and obligation by the grantee during the 15-month period from July 1 through September 30, plus a one-year carryover period. Unexpended/unobligated funds should be deappropriated at the end of the funds' periods of availability.	\$ -

### Condition:

There are unexpended/unobligated fund balances from grants for fiscal years 1995 and 1996, whose periods of availability ended prior to the fiscal year ended September 30, 1997 and September 30, 1998, respectively. The aggregate total of unexpended/unobligated balances is \$ 84,826, as follows:

<u>Account Number</u>	<u>End of Grant</u>	<u>Unexpended/ Unobligated Balance At FYE 9/30/98</u>
22.5.50.xx	1997	\$ 33,104
22.6.50.xx	1998	<u>51,722</u>
Total		<u>\$ 84,826</u>

### Cause:

There appears to be a lack of internal controls over ensuring that unexpended balances are deappropriated/deencumbered after the funds' periods of availability have expired.

### Effect:

There is a potential for future grant award amounts to be decreased.

### Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

### Recommendation:

The grantee should establish and implement internal controls to ensure that an employee is designated the responsibility of reviewing grant transactions at the end of the fund's period of availability, of accounting for unobligated balances, and of deappropriating/deencumbering such expired balances.

# GOVERNMENT OF GUAM

## U. S. Department of Education Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-38	84.027 84.173	In accordance of with OMB Circular A-133 special tests and provisions requirements and the eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1997-1998," the IEP Annual Review should occur on or before the annual date of the IEP and the reevaluation should be performed every three years to determine whether students still meet eligibility criteria as a handicapped child requiring special education under federal and local regulations.	\$ -

### Condition:

For 7 (or 16%) out of 45 files tested, the IEP Annual Review was performed late or was not performed, as follows:

<u>Student File</u>	<u>Scheduled IEP Review</u>	<u>IEP Review Date</u>	<u>Period Late</u>
3268	January 1997	October 1997	9 months
1032	May 1997	none	16 months
4091	May 1998	June 1998	1 month
3499	September 1998	September 1998	1 day
3637	May 1998	May 1998	4 days
2197	May 1997	August 1998	3 months
4105	August 1998	none	1 month

For 10 ( or 22%) out of 45 student files tested, reevaluation was performed late or was not conducted as follows:

<u>Student File</u>	<u>Scheduled Reevaluation</u>	<u>Reevaluation Date</u>	<u>Months Late</u>
3268	May 1996	none	28 months
1634	January 1997	none	20 months
1032	August 1996	none	25 months
2673	March 1998	none	6 months
1875	September 1997	March 1998	6 months
2473	July 1998	September 1998	2 months
3219	March 1998	August 1998	5 months
3499	September 1998	none	1 month
2197	May 1998	October 1998	5 months
4105	July 1998	none	2 months

### Cause:

There appears to be a lack of internal controls over ensuring the timely performance of student annual reviews and triennial reevaluations.

### Effect:

There is no known effect on the financial statements as a result of this condition; however, there is a potential for the grantee to be providing services to students who would have otherwise been determined ineligible if the reviews were performed as required.

**GOVERNMENT OF GUAM**

U. S. Department of Education  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Prior Year Status:</u>	<u>Questioned Costs</u>
98-38	84.027 84.173	The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.	\$ -

Recommendation:

The grantee should establish and implement internal controls to ensure that at the start of each month, the Consulting Resource Teacher (CRT) identifies the students due for annual IEP review and triennial reevaluation and initiates the review in accordance with OMB Circular A-133 special tests and provisions requirements.

# GOVERNMENT OF GUAM

## U. S. Department of Education Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-39	84.027 84.173	<p>In accordance with eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1997-1998," parents are to be notified at least ten days prior to the Individualized Education Plan (IEP) Review Meeting.</p> <p><u>Condition:</u></p> <p>For 3 (or 7%) out of 45 student files tested (i.e. # 2174, 2197, and 4105), parents were not notified at least ten days prior to the IEP Review Meeting.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that parents receive notification of the IEP Review Meeting at least ten days prior to the meeting date.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements and Program eligibility requirements.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen internal controls to ensure that the Consulting Resource Teacher (CRT) notifies parents at least ten days prior to the IEP Review Meeting.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Education  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-40	84.027 84.173	In accordance with OMB Circular A-133 subrecipient monitoring requirements, the pass-through agency must monitor the subrecipient for compliance with the subrecipient agreement.	\$ -
<u>Condition:</u>			
Under the memorandum of understanding between Guam Community College (GCC) and the Guam Department of Education (DOE)-Special Education, GCC agreed to provide DOE with (1) a detailed fiscal and performance report outlining all expenditures and program activities within thirty (30) days after the project termination date, i.e., December 31, 1998. However, GCC did not provide the detailed fiscal report for fiscal year 1998. Furthermore, the performance report was submitted 3 months late (i.e., April 28, 1999).			
<u>Cause:</u>			
There appears to be a lack of internal controls over subrecipient monitoring.			
<u>Effect:</u>			
There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 subrecipient monitoring requirements, and the subrecipient is in noncompliance with the subrecipient agreement.			
<u>Prior Year Status:</u>			
The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.			
<u>Recommendation:</u>			
The grantee should establish and implement internal controls to ensure that subrecipients are monitored in accordance with OMB Circular A-133 subrecipient monitoring requirements and are directed to correct noncompliance findings.			



# GOVERNMENT OF GUAM

## U. S. Department of Health and Human Services Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-41	93.558 93.575	In accordance with OMB Circular A-133 reporting requirements, quarterly reports (i.e., Quarterly Financial Cash Transaction Reports PMS 272 and ACF 196) are due 30 days after the reporting quarter.	\$ -

### Condition:

The PMS 272 reports were submitted from 26 to 29 days after the due dates, as follows:

QUARTER	DUE DATE	DATE SUBMITTED	DAYS LATE
1	01/30/98	02/25/98	26
2	04/30/98	05/27/98	27
3	07/30/98	08/28/98	29

The ACF 196 reports were submitted from 20 to 84 days after the due dates, as follows:

QUARTER	DUE DATE	DATE SUBMITTED	DAYS LATE
1	01/30/98	03/11/98	40
2	04/30/98	05/27/98	61
3	07/30/98	08/19/98	20
4	10/30/98	01/22/99	84

### Cause:

The Government of Guam's Department of Administration (DOA) is the responsible reporting local entity. DOA appears to have a lack of internal control procedures to ensure that all Federal reports are prepared and submitted to the cognizant federal agency in a timely manner.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for Federal funds to be delayed.

### Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

### Recommendation:

The grantee should consider establishing a timetable for the submission of reports to the Federal Government and distributing such schedule to all responsible individuals. The status of reports should be reviewed by the respective supervisors, and periodic reminders as to report due dates should be issued.

# GOVERNMENT OF GUAM

## U. S. Department of Health and Human Services Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-42	93.558 93.778	The eligibility worker (EW) should review and sign the Review of Eligibility to Continue Assistance form as indication that the applicant is eligible to receive benefits.	\$ -

### Condition:

For 10 (or 22%), out of 45 case files tested (i.e., case # 305019205, 304636705, 304395901, 306043301, 304875203, 304347802, 304231102, 10-00749, 3032636, and 304228201) the EW did not sign the Review of Eligibility to Continue Assistance form.

### Cause:

There appears to be a lack of internal control policies and procedures over ensuring that the EW reviews and signs the Review of Eligibility to Continue Assistance form.

### Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the grantee to be providing benefits to ineligible applicants.

### Prior Year Status:

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

### Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that the EW reviews and signs the Review of Eligibility to Continue Assistance form. The responsible person should not further process any case files that contain a Review of Eligibility to Continue Assistance form that is not signed.

**GOVERNMENT OF GUAM**

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-43	93.558	<p>In accordance with OMB A-133 Special Tests and Provisions Requirements and Common Rule, all programmatic documents, such as a list of uncooperative participants, should be maintained on file for at least three years.</p> <p><u>Condition:</u></p> <p>The list identifying TANF participants who are not cooperating under Title IV-D of the Social Security Act in establishing paternity or in establishing, modifying, or enforcing a support order, was not provided for review.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that programmatic records, such as a list of uncooperative participants, are maintained on file for at least three years.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with the Common Rule.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen internal controls to ensure that all programmatic records, such as a list of uncooperative participants, are maintained on file for at least three years. Also, the grantee should locate and provide the requested list to effect resolution of this finding.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-44	93.563	In accordance with OMB Circular A-133 reporting requirements and Governmental Payment Management, the Quarterly Financial Cash Transaction Reports SF 272 are due on February 14, May 15, August 14, and November 14. Furthermore, the OCSE 396A Child Support Enforcement Program Quarterly Report of Expenditures and Estimates is due 30 days after the end of each quarter.	\$ -

Condition:

The SF 272 and OCSE 396A reports were submitted late, ranging from 7 to 14 days after the due dates, as follows:

<u>QUARTER</u>	<u>PMS 272</u>			<u>OCSE 396A</u>		
	<u>DUE</u> <u>DATE</u>	<u>SUBMISSION</u> <u>DATE</u>	<u>DAYS</u> <u>LATE</u>	<u>DUE</u> <u>DATE</u>	<u>SUBMISSION</u> <u>DATE</u>	<u>DAYS</u> <u>LATE</u>
1	02/14/98	02/25/98	11	01/30/98	02/13/98	14
2	05/15/98	05/27/98	12	04/30/98	04/30/98	0
3	08/14/98	08/28/98	14	07/30/98	08/06/98	7
4	11/14/98	11/27/98	13	10/30/98	10/30/98	0

Cause:

There appears to be a lack of internal control procedures over ensuring that all Federal reports are prepared and submitted to the cognizant Federal agency in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for Federal funds to be delayed.

Recommendation:

The grantee should consider establishing a timetable for the submission of reports to the Federal Government and distributing such schedule to all responsible individuals. The status of reports should be reviewed by the respective supervisors, and periodic reminders as to report due dates should be issued.

## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-45	93.563	<p>In accordance with OMB Circular A-133 allowable costs/cost principles requirements and 45 CFR part 74, all financial records, such as the check copies, payment requests, invoices, and receiving reports, should be maintained on file to substantiate expenditures.</p> <p><u>Condition:</u></p> <p>For 1 (or 8%) out of 12 checks, no check copy, invoice, receiving report, or payment request is on file to substantiate payment of check number 930651 in the amount of \$197,396 under reference number D981100100 to vendor number 20100000 on June 11, 1998.</p> <p><u>Cause:</u></p> <p>The Government of Guam's Department of Administration (DOA) is the responsible reporting local entity. DOA appears to have weak recordkeeping controls to ensure that such documents as check copies, payment requests, invoices, and receiving reports are maintained on file to substantiate expenditures.</p> <p><u>Effect:</u></p> <p>Unsupported expenditures of \$197,396 exist. However, we tested similar transactions with the same vendor and under the same cooperative agreement. Therefore, a questioned cost does not exist.</p> <p><u>Recommendation:</u></p> <p>The Division of Accounts should strengthen recordkeeping controls to ensure that such financial records as check copies, invoices, receiving reports and payment requests are maintained on file for at least three years.</p> <p><u>Auditors' Response:</u></p> <p>The grantee indicates that there is insufficient identifying information contained in the finding. Contrary to what the grantee indicates, all known identifying information is presented in the condition.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-46	93.563	<p>In accordance with OMB Circular A-133 special tests and provisions requirements and 45 CFR 303.3, the IV-D agency must attempt to locate all absent parents or sources of income and/or assets within 75 calendar days of determining that such search is necessary.</p> <p><u>Condition:</u></p> <p>For 2 (or 4%) out of 45 case files tested, no documentation is in case file numbers 10814 and 10455 to indicate whether an attempt was made within 75 calendar days to locate the absent parent.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal control policies and procedures over ensuring that absent parents are located within 75 calendar days.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should strengthen internal control policies and procedures to ensure that the responsible person attempts to locate absent parents within 75 calendar days and documents such search.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-47	93.563	<p>In accordance with 45 CFR 74.53, all financial and programmatic documents, such as birth certificates and social security numbers should be maintained on file for at least three years.</p> <p><u>Condition:</u></p> <p>For 4 (or 9%) out of 45 case files tested, (i.e., case file # 9389, 10715, 9733, and 9423), no birth certificate and/or social security number of the child is in the file.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal control policies and procedures over ensuring that financial and programmatic records are maintained on file for at least three years.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 74.53.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure compliance with 45 CFR 74.53.</p> <p><u>Auditors' Response:</u></p> <p>The grantee indicates that the required social security numbers are available within the APASI computer system. We agree. However, we would need to review copies of the social security cards to determine whether the data keyed into the APASI system is accurate.</p>	\$ -

**GOVERNMENT OF GUAM**

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-48	93.563	<p>In accordance with 45 CFR 302.33, the State Plan must provide services to any individual who files an application for services with the IV-D agency.</p> <p><u>Condition:</u></p> <p>For 5 (or 11%) out of 45 case files tested (i.e., case file # 10450, 10148, 9971, 9811, and 9295), no documentation is in the file to indicate whether any action was taken to establish paternity and/or enforce support obligations.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal control policies and procedures over ensuring that operating procedures under 45 CFR 302.33 are followed.</p> <p><u>Effect:</u></p> <p>The grantee is in noncompliance with 45 CFR 302.33</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure that operating procedures under 45 CFR 302.33 are followed.</p>	\$ -



## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-49	93.575	In accordance with OMB Circular A-133 period of availability of Federal funds requirements, grant funds must be obligated by the end of the succeeding fiscal year after award, and expended by the end of the third fiscal year after award.	\$ -

Condition:

There are unexpended/unobligated fund balances from grants for fiscal years 1995 through 1997, whose periods of availability ended prior to the fiscal year ended September 30, 1998. The aggregate total of unexpended/unobligated balances is \$2,862,696, as follows:

<u>Grant year</u>	<u>Obligation End of Grant</u>	<u>Unexpended/ Unobligated Balance at FYE 9/30/98</u>
1995	1996	\$ 979,013
1996	1997	267,825
1997	1998	<u>1,615,858</u>
Total		\$ <u>2,862,696</u>

Cause:

There appears to be a lack of internal controls over ensuring that unexpended balances are deappropriated/deencumbered after the funds' periods of availability have expired.

Effect:

The grantee may be in noncompliance with OMB Circular A-133 period of availability of Federal funds requirements. There is a potential for future grant award amounts to be decreased.

Recommendation:

The grantee should establish and implement internal controls to ensure that an employee is designated the responsibility of reviewing grant transactions at the end of the fund's period of availability, of accounting for unobligated balances, and of deappropriating/deencumbering such expired balances.

# GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-50	93.575	In accordance with OMB Circular A-133 reporting requirements, quarterly reports (i.e., ACF-696) are due on January 30, April 30, July 30 and October 30.	\$ -

Condition:

For 2 (or 50%) out of 4 quarterly ACF-696 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	01/30/98	02/03/98	4
2	04/30/98	05/11/98	11

Cause:

There appears to be weak internal control procedures over ensuring that reports are submitted in a timely manner.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for future grants to be delayed or withheld.

Recommendation:

The grantee should strengthen internal control procedures to ensure that ACF-696 reports are submitted in a timely manner.

# GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-51	93.575	In accordance with OMB Circular A-133 earmarking requirements, the grantee may not spend on administrative costs more than 5 percent of total CCDF (Child Care and Development Fund) awards expended.	\$ 129,996

Condition:

The grantee expended excess administrative costs, as follows:

Total CCDF Awards Expended per AS/400	\$1,615,457
X Maximum Rate	5%
Maximum Administrative Costs	\$ 80,773
Actual Administrative Costs per ACF 700 and ACF 696	210,769
Excess Administrative Costs	<u>\$ 129,996</u>

Cause:

There appears to be a lack of internal controls over ensuring that total administrative costs charged to the Program is within earmarking requirements.

Effect:

A questioned cost of \$129,996 exists.

Recommendation:

The grantee should establish and implement internal controls to ensure that costs incurred are within allowable earmarking requirements.

## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-52	93.575	<p>In accordance with the Memorandum of Understanding between the Department of Public Health and Social Service (DPHSS) and subgrantees, subgrantees are required to submit a program/financial report to DPHSS within 30 days after completion or termination of the project. In addition, DPHSS shall prepare an assessment report within 30 days after receipt of the final progress report.</p> <p><u>Condition:</u></p> <p>No program/financial report was submitted by the Department of Education, Headstart Program, for the Wrap-around Program funded with Child Care and Development Funds. Furthermore, no corresponding assessment report was prepared by DPHSS.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal control policies and procedures over ensuring that the grantee properly monitors subrecipients for compliance with subgrant agreements.</p> <p><u>Effect:</u></p> <p>The grantee is in noncompliance with OMB Circular A-133 subrecipient monitoring requirements.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal control policies and procedures to ensure that reporting requirements are prepared and submitted in a timely manner.</p>	\$ -

# GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-53	93.575	<p>In accordance with OMB Circular A-133 eligibility requirements, a “fair” rating by a Child Care and Development Funds (CCDF) representative on the “Monitoring Instrument for a Safe and Healthy Learning Environment” form requires a written intent to correct deficiencies within 6 weeks from the monitoring date.</p> <p><u>Condition:</u></p> <p>For 2 (or 8%) out of 27 child care provider files tested (i.e., #98-0070239 and 66-0502328), a “fair” rating was noted, but no written intent by the child care center to correct deficiencies is documented in the file.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal control policies and procedures over ensuring that health and safety deficiencies noted by the CCDF representative are corrected.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements as a result of this condition. However, there is a potential for the grantee to be providing benefits to child care providers with deficient health and safety standards.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement internal controls to ensure that corrective action is taken on health and safety deficiencies noted by CCDF representatives in accordance with OMB Circular A-133 eligibility requirements.</p>	\$ -

## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-54	93.575	In accordance with OMB Circular A-133 eligibility requirements, a Child Care and Development Funds (CCDF) representative should complete and sign the "Monitoring Instrument for a Safe and Healthy Learning Environment in Child Care Centers" form to ensure that the provider is operating within standards set by CCDF. Furthermore, the child care provider should sign the form to indicate that actual monitoring by CCDF was conducted and that any findings noted were corrected.	\$ -

Condition:

Out of 27 child care provider files tested, we noted the following:

- 1) For 12 cases (or 44%) (i.e., # 98-0070239, 66-0502328, 66-052861, 66-0495987, 98-0040312, 66-0526221, 66-052-1973, 28-92, 4794, 98-0018819, 66-0485-550, and 4489), the form was not signed by both the CCDF Representative and the child care provider.
- 2) For 1 case (or 4%) (i.e., # 66-052-1973), the form was not completed.

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that the "Monitoring Instrument for a Safe and Healthy Learning Environment in Child Care Centers" form is properly signed and completed.

Effect:

There is no known effect on the financial statements as a result of this condition. However, there is a potential for the grantee to be providing benefits to deficient child care providers.

Recommendation:

The grantee should establish and implement internal control policies and procedures to ensure that required forms are completed and that the CCDF Representative and Child Care Center's staff review and sign the "Monitoring Instrument for a Safe and Healthy Learning Environment in Child Care Centers" form in accordance with OMB Circular A-133 eligibility requirements.

## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-55	93.575	In accordance with OMB Circular A-133 eligibility requirements and the Common Rule, programmatic records, such as the case file (including the mayor's certification, employment verification, monthly child care certificate, birth certificate, picture identification of head of household, social security cards, and immunization records) should be maintained on file for at least three years.	\$ -

Condition:

Out of 19 individual case files tested, we noted the following:

1. For 12 cases (or 63%) (i.e., 586-19-9795, 586-84-3122, 586-68-3520, 586-76-5369, 586-84-4389, 586-66-0018, 586-94-4441, 586-66-1892, 586-70-4678, 586-82-0488, 559-57-0594, and 586-82-4371), no mayor's certification is in the file.
2. For 7 cases (or 37%) (i.e., 586-19-9795, 586-68-3520, 586-94-4441, 586-66-1892, 586-86-0496, 586-70-4678, and 586-82-0488), no employment verification is in the file.
2. For 4 cases (or 21%) (i.e., 586-84-4389, 586-66-0018, 586-94-4441, and 586-66-1892), no picture identification for the head of household, social security card and/or birth certificate of dependents is in the file.
3. For 3 cases (or 16%) (i.e., 586-66-0018, 586-94-4441, and 586-70-4678), no immunization record is in the file.
4. For 2 cases (or 11%) (i.e., 586-84-4389 and 586-66-1892), no monthly child care certification is in the file.

Furthermore, for 5 (or 11%) out of 45 cases, the case file could not be located for case number 30-39932, 60-38328, and 30-39390, and two child care providers, the names of which have been provided to the grantee.

Cause:

There appears to be weak internal controls over recordkeeping.

Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 eligibility requirements and the Common Rule records retention requirements.

## GOVERNMENT OF GUAM

U. S. Department of Health and Human Services  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Recommendation:</u>	<u>Questioned Costs</u>
98-55	93.575	The CCDF Program should strengthen internal control policies and procedures to ensure that all files are properly stored and accounted for in accordance with OMB Circular A-133 special tests and provision requirements and the Common Rule. Also, the grantee should locate and provide the requested documents to effect resolution of this finding.	\$ -



## GOVERNMENT OF GUAM

### U. S. Department of Health and Human Services Schedule of Findings and Questioned Costs Year Ended September 30, 1998

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-56	93.778	<p>In accordance with OMB Circular A-133 special tests and provisions requirements, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. State agencies shall maintain reports on their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS onsite reviews (45 CFR section 95.621).</p> <p><u>Condition:</u></p> <p>No risk analyses and security reviews are conducted for the Medicaid Program.</p> <p><u>Cause:</u></p> <p>There appears to be a lack of internal controls over ensuring the performance of required risk analyses and security reviews.</p> <p><u>Effect:</u></p> <p>The grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements.</p> <p><u>Prior Year Status:</u></p> <p>The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam. It appears that the grantee's fiscal year 1997 corrective action plan either was not implemented, or was incorrectly implemented so as to allow the condition to remain.</p> <p><u>Recommendation:</u></p> <p>The grantee should establish and implement a program for conducting periodic risk analyses of its automated data processing system to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. Furthermore, the grantee should review the ADP system security installations involved in the administration of the Medicaid Program on a biennial basis. At a minimum, the review should include an evaluation of physical and data security operating procedures, and personnel practices. Such reports on the grantee's biennial ADP system security reviews should be maintained together with pertinent supporting documentation in accordance with OMB Circular A-133.</p>	\$ -

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Monitoring of Subrecipients

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-57	All	In accordance with the Single Audit Act, OMB Circular A-133, and the Common Rule, when in a single year, a recipient of Federal awards passes \$300,000 or more of such assistance in a single subgrant year through to one or more recipients, the primary recipient is responsible for determining whether the subrecipient expends that assistance in accordance with applicable laws and regulations.	\$ -

#### Condition:

The Government of Guam does not have procedures to establish the existence of subrecipients and did not ensure that all required independent audits of its subrecipients were performed and did not perform appropriate monitoring procedures to ensure financial and federal compliance with laws and regulations. Our audit of the Government of Guam was not expanded to include testing of subrecipients' records for compliance with the applicable provisions of OMB Circular A-133 compliance requirements.

#### Cause:

The Government of Guam has not established internal control policies and procedures to identify and monitor its subrecipients and ensure subrecipient compliance with applicable federal laws and regulations.

#### Effect:

The effect is noncompliance with the Single Audit Act, OMB Circular A-133, and the Common Rule.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

#### Recommendation:

The Government of Guam should establish internal control policies and procedures to ensure that subrecipients are specifically identified. The Government should design procedures that are sufficient to determine a subrecipient's compliance with applicable federal laws and regulations. Financial operations of subrecipients related to the federal awards should be subjected to timely and periodic audits, including OMB Circular A-133. If such procedures are not designed, the Government should develop alternative procedures for identifying and monitoring its subrecipients.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Equipment Management

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
98-58	All	In accordance with § 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies that acquire equipment through Federal funds are required to perform a physical inventory and reconcile such to the property records at least once every two years. In addition, adequate maintenance procedures must be established to keep the property in good condition.	\$ -

#### Condition:

The Government of Guam has not conducted a physical inventory of its equipment. Furthermore, the Government has not established uniform maintenance procedures designed to keep equipment in good condition.

#### Cause:

The Government is currently in the process of implementing its fixed asset management system. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes its tagging of all equipment, it will not be able to conduct a physical inventory. With respect to uniform maintenance procedures, it is unknown as to why the Government has as of yet not established such procedures.

#### Effect:

The Government is in noncompliance with Federal regulations.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam.

#### Recommendation:

The Government should complete its tagging of all equipment and conduct a physical inventory immediately thereafter. In addition, uniform maintenance procedures should be made a part of the Government's fixed asset management system.

Total Questioned Costs \$ 7,290,244

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-59 – Internal Service Fund 309**

Criteria: Documentation should be maintained in support of amounts recorded in the general purpose financial statements.

Condition:

1. \$90,169 of accounts receivable are not substantiated.
2. The composition of the \$142,331 of inventory Agana Lots and \$11,368 West Acre lots has not been specifically determined.

Cause: There is a lack of internal controls to ensure that documentation is maintained to support these account balances.

Effect: The potential for these accounts to be misstated results from this condition.

Prior year status: A finding concerning the lack of documentation for FUND 309 receivables and other asset accounts has been reported to management since the fiscal year 1995 management letter.

Recommendation: An employee should be designated to analyze and determine the nature and composition of these accounts and to maintain documentation to support the account balance.

#### **Finding No. 98-60 – Internal Service Fund 309**

Criteria: Accounts should be periodically reconciled.

Condition: Interest of \$74,743 was not recorded in the Deposits with Superior Court account.

Cause: Reconciliation of this account has not been performed.

Effect: The potential exists for these accounts to be understated.

Prior year status: A finding concerning the non-performance of a reconciliation for FUND 309 Deposits with Superior Court was present in the 1996 and 1997 management letters.

Recommendation: Reconciliation of the account should occur on a regular basis.

#### **Finding No. 98-61 – Internal Service Fund 309 and 404**

Criteria: Detailed supporting documents (vendor invoices, GSA Standard Form 123) should be maintained on file to support amounts recorded in the general purpose financial statements (GPFS).

Condition: In testing of inventory for both the GSA State Agency Surplus Fund 314 and GSA Revolving Fund 404, supporting documents could not be located. For Fund 314, the GSA Standard Form 123 could not be located for all three items tested. Also, in seven out of nine items tested under Fund 404, the vendor invoice could not be located.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-61 – Internal Service Fund 309 and 404, Continued**

Cause: There appears to be a lack of control procedures over ensuring that detailed supporting documentation is maintained on file.

Effect: It is possible that inventory accounts for these funds may be misstated due to the lack of documentary evidence supporting the amounts.

Recommendation: The Division of Accounts should review detailed supporting files to ensure completeness.

#### **Finding No. 98-62 – Internal Service Fund 404**

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

Condition: An expenditure in the amount of \$1,498,221 was not supported by a vendor invoice. A revenue amount noted in the amount of \$1,346,698 were not supported by a cash receipt.

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded as expenditures and revenues may be misstated due to the absence of documentary evidence to support such amount.

Recommendation: The Division of Account should maintain detailed supporting documentation for expenditure and revenue transactions and file in order (i.e. sequentially, chronologically) to ensure that transactions are properly supported and located.

#### **Finding No. 98-63 - Taxes Receivable/Trust Funds**

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

Condition: Differing balances of taxes and gross receipts tax receivables and GEDA rebates for various fiscal years are recorded in the general ledger at DOA and in detailed schedules by the Department of Revenue and Taxation. The differences aggregated some \$19.4 million for tax receivables, some \$36.3 million for gross receipts tax receivables, and some \$2.1 million for GEDA rebates.

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

Prior Year Status: This is a carryforward finding from the 1997 schedule of findings and questioned costs.

Effect: The affected accounts may be misstated as the balances do not reconcile to the detailed schedules provided by the Department of Revenue & Taxation.

Recommendation: An annual or periodic reconciliation of the respective records should occur.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-64 – Taxes Receivable**

Criteria: The Public Law 22-140 reference to Title 11 Chapter 50 of the Guam Code Annotated, requires the Department of Revenue and Taxation (DRT) to establish a formula for reserving income tax receipts to pay income tax refunds. Additionally, DRT should readily provide documentation supporting the calculation of doubtful tax accounts.

Condition:

1. While DRT appears to have established the required formula, the DRT is unable to provide sufficient data to support the accuracy of the established formula.
2. The accuracy of percentages used by DRT in calculating uncollectible taxes could not be verified.

Cause: DRT is prevented by the Guam Territorial Income Tax Code Section 6103 Title II from allowing the review of tax information by parties other than those authorized within DRT.

Prior Year Status: This is a carryforward finding from the 1997 report to management.

Effect: The reserve to pay income tax refunds and the allowance for doubtful tax receivable accounts may be materially misstated.

Recommendation: DRT should establish a documented methodology supporting the computation of the reserve for income tax refund payments and the allowance for uncollectible taxes.

#### **Finding No. 98-65 – Taxes Receivable**

Criteria: Detailed subsidiary schedules should be reviewed for accuracy.

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

Cause: The cause of this condition is unknown.

Effect: The detailed subsidiary schedule may be misstated which could cause the general ledger (G/L) balances to be misstated if the G/L is adjusted before the detailed schedule is reviewed for errors.

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

#### **Finding No. 98-66 – Taxes Receivable**

Criteria: P.L. 22-140 requires that the Director of Administration shall deposit in the income tax refund reserve fund all money reserved for income tax refunds from income tax receipts based on an established formula.

Condition: During testing of the reserve for income tax refunds, it was noted that the amount as calculated by the established formula was not deposited into Fund 303 as mandated by law.

Cause: The cause of this condition is that insufficient resources appear to have been collected to allow for the required deposit to occur.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-66 – Taxes Receivable, Continued**

Effect: The affected funds and accounts may be misstated and noncompliance with public law may result if the terms as specified are not followed.

Recommendation: Deposits of the proper amounts should be made into the appropriate funds to ensure that provisions of the established public law are properly complied with. If such is not feasible, the Guam Legislature should be petitioned to amend the law.

#### **Finding No. 98-67 – General Fund-Other Receivable**

Criteria: Analysis and reconciliation of account balances should be performed on a regular basis.

Condition:

- 1) The accounts receivable subsidiary ledger contained several accounts with negative balances totaling \$145,537.
- 2) Accounts receivable due from Guam Telephone Authority totaling \$278,897 have not been reconciled in a timely manner.
- 3) The detail of Accounts Receivable – Bad Checks is maintained by the Department of Revenue and Taxation and has not been reconciled with Division of Accounts records as of September 30, 1998.

Cause:

- 1) The Division of Accounts receives payment from various departments to be applied against various receivable accounts. However, no receivable accounts were previously established to offset amounts collected. This condition results in receivable accounts with credit balances.
- 2) Receivables from Guam Telephone Authority have not been reconciled.

Prior Year Status: This finding was brought to management's attention in our letter issued for the year ended September 30, 1997.

Effect: The condition creates the potential for accounts receivable to be understated .

Recommendation:

- 1) An individual should be assigned to monitor and reconcile negative accounts receivable. Procedures should be devised and implemented that will prevent payments from being applied to accounts receivable without first establishing the appropriate account.
- 2) Individuals from the Division of Accounts and the appropriate agency should be assigned to reconcile accounts on a regular basis.

#### **Finding No. 98-68 – General Fund-Other Receivable**

Criteria: Accounts receivable collections policies should be followed:

- Writers of bad checks to GovGuam are first given thirty days to clear the account after receiving written notice.
- If the maker is a GovGuam employee, the amount is garnished from wages.
- Tax refunds are held by GovGuam until that person clears the balance.
- For travel advances, employee paychecks are held until accounts receivable to GovGuam have been cleared.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-68 – General Fund-Other Receivable, Continued**

Condition: Travel advance receivables older than 120 days constitute 90% or \$474,040 of the total balance of \$518,594.

Cause: Existing collection policies do not appear to be enforced.

Prior Year Status: This finding was brought to management's attention in our prior letter issued for the year ended September 30, 1997.

Effect: Accounts receivable may be overstated as a result of not adhering to stated collection policies.

Recommendation: Collection procedures outlined in GovGuam's policy manual should be strictly enforced to ensure that amounts due are promptly collected.

#### **Finding No. 98-69 – General Fund-Other Receivable**

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

Condition: The accounts receivable allowance for doubtful accounts totaled \$4,178,940 out of \$5,754,161 or 73% of total receivables. There was no documented methodology supporting the reserve.

Cause: It appears that the allowance for doubtful accounts remains the same each year and there is no established criteria to formulate an allowance based on year end circumstances.

Effect: This condition may cause accounts receivable to be misstated if an inappropriate allowance is recorded.

Recommendation: The allowance account should be periodically analyzed based on a documented method. This method should be continuously reviewed and challenged.

#### **Finding No. 98-70 – General Fund-Other Receivable**

Criteria: Accounts Receivable – Bad Checks, Revenue & Taxation and A/R – Bad Checks, Revenue & Taxation (Gross Receipt Taxes) should be monitored and reconciled on a regular basis.

Condition: Reconciliations between Division of Accounts (DOA) and the Department of Revenue and Taxation (DRT) have not been performed as of September 30, 1998.

	<u>Per DOA</u>	<u>Per DRT</u>	<u>Difference</u>
<u>Accounts Receivable - Bad Checks</u>	\$2,728,376	\$522,114	\$2,206,262

Cause: Reconciliations between DOA and DRT are not being performed on a regular basis.

Prior Year Status: This finding was brought to management's attention in our 1997 management letter.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-70 – General Fund-Other Receivable, Continued**

Effect: The affected accounts may be misstated, as the balances do not reconcile with detailed schedules provided by DRT.

Recommendation: Reconciliations between DOA and DRT should be performed on a regular basis.

#### **Finding No. 98-71 – Debt Service Funds – Fund 355**

Criteria: The bond covenant for the water system revenue bond fund stipulates that the “Government will maintain the water system in good condition, repair and working order at all times and will operate the water system in an efficient and economical manner....” Also, all water system revenues (which refers to revenue received from fees for the water and sewer system) are to be “collected and held in an account on the Government’s behalf, directly with the Trustee...”.

Condition: Various reportable conditions were noted during the audit of the Guam Waterworks Authority (GWA) for the fiscal year ended September 30, 1998 which indicate that the operation of the water system may not be performed in an efficient and economical manner. Also it was noted that collection of revenue derived from fees for the water and sewer system may have been inefficient and may not have been deposited with the Trustee as specified in the bond indenture.

Cause: The cause of this condition is due to the fact that the water revenue bond is accounted for as a general obligation of the government rather than as a limited obligation of the water system.

Effect: There is no material financial statement impact as a result of this condition.

Recommendation: Compliance with the terms and conditions of the bond indenture should be met and necessary acts should occur to ensure that GWA maintains water system revenues in an efficient manner.

#### **Finding No. 98-72 – General Fund - Cash**

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

Condition: The following reconciling items were noted as unrecorded credit or debit memos on the General Fund bank reconciliation.

<u>Balances outstanding for greater than</u>	<u>Unrecorded Credit Memos</u>	<u>Unrecorded Debit Memos</u>
30 days	\$ 215	\$ 4,865
90 days	403,927	137,269
	<u>4,236</u>	<u>104,883</u>
	\$ <u>408,378</u>	\$ <u>247,017</u>

Cause: The individual reconciling the account communicates unrecorded debit/credit memos to the Treasurer’s Office. Subsequently, supporting documents are to be mailed from the bank to the Treasurer’s office. However, documents may be misrouted and may not appear to reach the Treasurer in a timely manner.

Effect: This condition may result in a misstatement of cash balances.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-72 – General Fund – Cash, Continued**

Recommendation: A follow up on unrecorded debit/credit memos should be performed on a periodic basis to ensure that unrecorded items are cleared in a timely manner.

#### **Finding No. 98-73 – General Fund - Cash**

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

Condition: The following reconciling items were noted either as deposits in transit from prior fiscal years or as erroneous deposits on the bank reconciliations.

<u>Bank Acct. Name</u>	<u>Bank Acct. #</u>	<u>Deposit in Transit</u>	<u>Erroneous Deposits</u>
General Fund Checking	0101-014592	\$ 42,074	
General Fund Checking	0101-014592		\$ 12,478
General Fund Checking	2501-001229		274,365

Cause: The deposits were made to incorrect accounts. It appears that this information was not communicated to the Treasurer's office and therefore, correction of these errors has yet to occur.

Prior Year Status: This condition is a carryforward prior year finding that has not been addressed.

Effect: The condition may result in a misstatement of cash balances.

Recommendation: Erroneous deposits noted in the bank reconciliation process should be communicated to the Treasurer's Office and be properly adjusted in a timely manner.

#### **Finding No. 98-74 – General Fund - Cash**

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

Condition: Two bank reconciliations contained several reconciling items originating in prior fiscal years:

Child Support Checking account (reconciling items)	\$ 80,916
Child Support Checking account (stale-dated checks)	788,438
General Fund Account # 2501-001229 (reconciling items)	<u>35,180</u>
Total	\$ <u>904,534</u>

Cause: The cause of this condition is unknown.

Prior Year Status: The condition is a carryforward prior year finding that has not been addressed.

Effect: This condition may result in a misstatement of cash balances.

Recommendation: Reconciling items from previous fiscal years should be investigated to determine the nature of the transaction. Once this determination is made, requisite adjustments should be recorded.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-75–Fund 209 – Customs, Agriculture, & Quarantine Inspection Service Fund**

Criteria: Per PL 23-96, this fund shall not be commingled with the General Fund and shall be kept in a separate bank account. The bank account for this fund was established during fiscal year 1996 (November).

Condition: Four of nine revenue transactions tested were deposited into a General Fund bank account number 101014592 instead of the separate bank account number 2501001536 that was established for this fund.

Cause: The funds were not deposited into the appropriate account.

Effect: The cash and revenue accounts for the Customs and Quarantine Fund may be misstated due to funds not being deposited to the proper accounts.

Recommendation: The Division of Accounts should review bank deposit slips and bank statements to ensure that funds received are deposited to appropriate bank accounts and are properly accounted for in compliance with established public laws.

#### **Finding No. 98-76 – Special Revenue Funds**

Criteria: Procurement policies established by the Government of Guam should be followed by all agencies under its jurisdiction.

Condition: During testing of accrued expenses for Fund 214, it was noted that \$17,888 was not properly procured, as the agency (DOC) was cited by GSA (the agency which has oversight over the procurement policies for GovGuam) for an unauthorized procurement transaction; specifically no bidding procedures were followed to obtain the services.

Cause: The cause of this condition is that the procuring agency did not follow all policies as set forth by GSA.

Effect: No financial statement effect results from this condition. However, items or services may be inappropriately obtained if not procured within established policies set forth by GSA.

Recommendation: The procuring agency should abide by the established guidelines as set forth by GSA.

#### **Finding No. 98-77 – Revenue**

Criteria: Detailed supporting documents (i.e. canceled check, check stub, PO, vendor invoice, etc.) should be maintained on file to support amounts recorded in the general purpose financial statements (GPFS).

Condition: In testing revenue of both the Government of Guam Veterans Bonus Fund 207 and DPW Building and Design Fee Account Fund 235, there were no canceled checks or other documentation depicting the payor name and description of such payment to support the official Treasurer of Guam (TOG) field receipt.

Cause: The supporting documentation for these transactions could not be located.

Effect: It is possible that the affected accounts for these funds may be misstated due to the lack of documentary evidence supporting the recorded amounts.

Recommendation: The Division of Accounts should review detailed files to ensure completeness.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-78 – Expense**

Criteria: Detailed supporting documents (i.e. canceled check, check stub, PO, vendor invoice, etc.) should be maintained on file to support amounts recorded in the general purpose financial statements (GPFS).

Condition: One out of seven expense items (in the amount of \$109,678) tested for the Department of Defense Fund 106 had no supporting information (i.e. the check, vendor invoice, contract and purchase order).

Cause: The supporting documentation for these transactions could not be located.

Effect: It is possible that the affected accounts for this fund may be misstated due to the lack of documentary evidence supporting recorded amounts.

Recommendation: The Division of Accounts should review detailed supporting files to ensure their completeness.

#### **Finding No. 98-79 Fund 209 Customs, Agriculture & Quarantine Inspection Services Fund Fund 269 – Public Service Recovery Fund Fund 103 – Striper Well Fuel Overcharge Fund**

Criteria: A memo of understanding (MOU) signed between the Government of Guam and the Guam International Airport Authority (GIAA) requires that an amount of a payment (\$3,261,257) made by GIAA to GovGuam be subject to the approval of the FAA and be contingent upon certain audit requirements being met.

Condition: The payment of \$3,261,257 was paid by GIAA on May 7, 1999 and was recorded on that date as an operating transfer in. However, neither FAA approval or the audit requirement have yet been met.

Cause: The cause of this condition is unknown.

Effect: Revenue may be overstated and liabilities may be understated if noncompliance with the terms of the MOU occurs.

Recommendation: The terms and conditions of the MOU should be complied with.

#### **Finding No. 98-80 Fund 106 – Department of Defense Contract Fund Fund 269 – Public Service Recovery Fund Fund 103 – Striper Well Fuel Overcharge Fund**

Criteria: Expenditures and encumbrances should be properly supported by detailed documentation (i.e. vendor invoice, authorized purchase order, etc.)

Condition: Two transactions noted in the amounts of \$109,678 for Fund 106 and \$81,363 for Fund 103 were not supported by a vendor invoice. One encumbrance transaction for Fund 269 in the amount of \$1,067,825 did not have an authorized purchase order substantiating the recording of the encumbrance.

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded as expenditures and encumbrances may be misstated due to the absence of documentary evidence to support such amount.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-80 Fund 106 – Department of Defense Contract Fund, Continued Fund 269 – Public Service Recovery Fund Fund 103 – Striper Well Fuel Overcharge Fund**

Recommendation: The Division of Accounts should maintain detailed supporting documentation for expenditure and encumbrance transactions and file in order (i.e. sequentially, chronologically) to ensure that transactions are properly supported and located.

#### **Finding No. 98-81 – Special Revenue Funds**

Criteria: According to an Attorney General's opinion, the public laws creating the following funds imply the existence of a continuing appropriation. Therefore, no unreserved fund balances should exist for the following:

- Land for the Landless
- Parks Fund
- Taguac Memorial Cemetery Fund
- Government House Revolving Fund
- Wildlife Conservation Fund
- Land Survey Revolving Fund
- DOC Inmates Revolving Fund

Condition: The above funds all reflect unreserved fund balances.

Cause: The cause of this condition is unknown.

Effect: Continuing appropriations may be understated.

Recommendation: We recommend that unreserved fund balances be reclassified as continuing appropriations in accordance with Attorney General's interpretation. If further clarification is required, specific legislation should be requested from the Legislature.

#### **Finding No. 98-82 – Special Revenue Funds**

Criteria: Funds with no activity and no fund balances should be reviewed for possible repeal.

Condition: The following funds had no fiscal year 1998 activity and no fund balances:

- Summer School
- Vocational Rehabilitation Revolving
- Guam Beautification
- Municipal Litter Defacement
- District Improvement
- Deficit Elimination
- Rainy Day Fund
- GFD Capital Outlay

Cause: The cause of this condition is unknown.

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

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-82 – Special Revenue Funds, Continued**

Recommendation: We recommend that funds with no activity and fund balance be reviewed. For funds determined to be inactive, a request to repeal these funds should be made and existing fund balances should revert to the General Fund.

#### **Finding No. 98-83 – Special Revenue Funds/Trust Funds**

Criteria: Continuing appropriations recorded in the general ledger should be substantiated by underlying public laws. Federal funds received are designated for a specific program by the Federal government and, thus, may not necessarily be subject to appropriation by the Guam Legislature.

Condition: If a public law is silent as to whether a continuing appropriation has been created, the Division of Accounts has assumed a policy of recording a continuing appropriation, even for Federal funds. The following federally funded special revenue funds and locally funded trust funds have recorded balances as continuing appropriations:

##### Special Revenue Funds:

Fund 103	Stripper Well Fuel Overcharge	\$ 320,846
Fund 104	Exxon Fuel Overcharge	331,039
Fund 106	D.O.D. Contract Fund	4,812,590

##### Trust Funds:

Fund 304	Ocean Freight Legal Fund	\$ 3,860
Fund 319	Community Development Fund	291,290
Fund 329	Residential Treatment Fund	331

Cause: The cause of this condition is unknown.

Effect: Continuing appropriations may be overstated with a corresponding understatement of unreserved fund balances.

Recommendation: We recommend that the amounts in continuing appropriations be reclassified as unreserved fund balances.

#### **Finding No. 98-84 – Special Revenue Funds**

Criteria: Continuing appropriations should be substantiated by underlying public laws.

Condition: If a public law is silent as to whether a continuing appropriation has been created, the Division of Accounts has assumed a policy of recording a continuing appropriation. The following funds have balances in continuing appropriations:

Fund 105	Southern Community Health Center Revolving	\$ 174,340
Fund 225	Recreation Revolving Fund	259,319
Fund 229	General Services Agency	58,277
Fund 232	Manpower Development	275,875
Fund 305	Council of Arts & Humanities Off-Island Education, Training & Cultural Enhancement	33,100

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-84 – Special Revenue Funds, Continued**

Cause: The cause of this condition is unknown.

Effect: Continuing appropriations for affected funds may be overstated, with a corresponding understatement of unreserved fund balances.

Recommendation: We recommend the Division of Accounts obtain the Attorney General's opinion with respect to whether the above noted continuing appropriations have been created.

#### **Finding No. 98-85 – Enterprise Funds – Expenditure Testing**

Criteria: Disbursements should be properly supported by detailed documentation (i.e. vendor invoice, authorized purchase orders, etc.)

Condition: A \$125,000 payment to the Guam Waterworks Authority (GWA) did not have a vendor invoice or other rationale substantiating the expenditure.

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded as expenditures may be misstated due to the absence of supporting documentary evidence.

Recommendation: The Division of Accounts should maintain detailed supporting documentation for expenditure transactions.

#### **Finding No. 98-86 – General Fund Revenues**

Criteria: Treasurer of Guam (TOG) reports should be properly authorized by the Treasurer and signed by the Treasurer to evidence such. Also, if one treasurer report supercedes another, it should be clearly marked which report is the amended report and which report is the original.

Condition: When performing a comparative analysis between the "Annual cash receipts" report and the TOG daily collection report, it was noted that an amended report prepared for June 5, 1998 was used as the basis for the cash receipts report and lacked the signature of the Treasurer of Guam. Also, for June 24, 1998, it was noted that two TOG reports were prepared in which one superceded the other; however, the amended report was not "marked" to reflect as such.

Cause: Both the signature and the marking of "amended report" may have been overlooked.

Effect: There is no financial statement effect from this condition. However, unauthorized or incorrect reports may be used to input information into the annual cash receipts report.

Recommendation: Treasurer of Guam reports should be reviewed to ensure that such are properly authorized by the Treasurer and signed to evidence that such is the case before amounts are input to the annual receipts report. Also any report that is amended should be marked as such, to properly distinguish it from the original.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-87 – Trust – Fund 310 - Worker's Compensation Fund Liabilities**

Criteria: Expenditures incurred but unpaid should be recognized as a liability in the financial statements.

Condition: Subledgers are not maintained to track or support liabilities for the fund.

Cause: The cause of this condition is unknown.

Effect: Accrued liabilities are understated by an immaterial amount of \$19,900.

Recommendation: The Division of Accounts and the Department of Labor – Worker's Compensation Section should work together to prepare and maintain records of benefits paid for autonomous agencies and claims awarded to accurately track and record accrued liabilities.

#### **Finding No. 98-88 – Trust - Fund Balances**

Criteria:

- a. Appropriations designated as continuing by an Attorney General's (AG) opinion should be recorded as such in the books.
- b. Excess appropriations should be de-appropriated when underlying public law designates an appropriation to be used only for current year operations.

Condition:

- a. Fund 325 - Criminal Injuries Fund recorded \$146,919 as a Fund Balance – Reserve for Related Assets when an available Attorney General opinion states that the amount should be recorded as continuing appropriations.
- b. FY98 PL 24-59 specifies Fund 306 - Government Claims Fund appropriations as annual. However, as of year end, \$71,341 remains under continuing appropriations.

Cause: The cause of this condition is unknown.

Effect:

- a. Continuing appropriations for Fund 325 are understated by an immaterial amount of \$146,919 with a corresponding overstatement of Fund Balance – Reserve for Related Assets.
- b. Continuing appropriations for Fund 325 are overstated by an immaterial amount of \$71,341.

Recommendation:

The Attorney General's opinion or related public law should be followed regarding the treatment of appropriations.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-89 – Trust - Transfers In**

Criteria: Transfer of monies from the general fund to specific fund accounts should be supported by an appropriation or related authority.

Condition: FY98 PL 24-59 appropriated \$750,000 to Fund 310 (Worker's Compensation Fund). However, the amount transferred to the fund during the fiscal year was \$790,000. A \$40,000 transfer to Fund 310 from the General Fund exists without an underlying public law.

Cause: The cause of this condition is unknown.

Effect: The Fund 310 transfer in may be overstated by \$40,000 with a corresponding effect on the General Fund as a result of the unauthorized transfer.

Recommendation: The Division of Accounts should obtain a public law or related authority to authorize transfers from the General Fund to any other fund.

#### **Finding No. 98-90 – Fixed Assets- Common rule Record Keeping Requirements**

Criteria: In accordance with § 32(d) of the Common Rule, fixed asset records should contain information stating the title holder of federal property.

Condition: Fixed asset records do not properly document titleholders.

Cause: The cause of not properly documenting titleholders is unknown.

Effect: The Government of Guam is not in compliance with the above mentioned Common Rule requirement.

Prior Year Status: A finding concerning compliance with the above mentioned Common Rule requirement was communicated in the 1997 Report.

Recommendation: Titleholders of federal property should be properly documented.

#### **Finding No. 98-91 – Fixed Assets- Common Rule Record Keeping Requirements**

Criteria: In accordance with § 32(d) of the Common Rule, a physical inventory of federal fixed assets must be performed every two years.

Condition: A complete physical inventory of fixed assets has not been performed.

Cause: The cause of not conducting complete bi-annual physical inventories of fixed assets is due to limited staff personnel and a limited asset database.

Effect: The Government of Guam is not in compliance with the above mentioned Common Rule requirement.

Prior Year Status: A finding concerning compliance with the above mentioned Common Rule requirement was communicated to management in the 1997 report.

Recommendation: A complete physical inventory of fixed assets must be conducted every two years.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-92 – Fixed Assets- Common Rule Record Keeping Requirements**

Criteria: In accordance with § 32(d) of the Common Rule, adequate maintenance procedures must be developed to keep property in good condition.

Condition: We could not locate documented maintenance procedures contemplated by this section of the Common Rule.

Cause: The cause of the condition is unknown.

Effect: The Government of Guam does not appear in compliance with above Common Rule requirement.

Prior Year Status: A finding concerning compliance with the above mentioned Common Rule requirement was communicated to management in the 1997 report.

Recommendation: Adequate maintenance procedures should be developed to keep property in good condition.

#### **Finding No. 98-93 – Fixed Assets Inspection**

Criteria: Fixed assets which have been disposed of should not be included in the fixed asset system.

Condition: Two out of sixteen assets tested were disposed of but were included in the fixed asset system. A Department of Public Works' street sweeper was listed as \$114,642 in the fixed asset system. However, this asset had been donated to the municipality of Rota. A Guam Fire Department fiberglass boat was listed as \$47,000 in the fixed asset system even though this item had been surveyed and sold.

Cause: The cause of this condition is unknown.

Effect: The condition causes fixed assets to be overstated.

Recommendation: A report detailing assets which have been disposed of should be generated to ensure that proper accounting of these assets occurs and that such are not included in the fixed asset system.

#### **Finding No. 98-94 – Fixed Assets Inspection**

Criteria: Agencies responsible for fixed assets should maintain adequate records and ensure assets are available for inspection.

Condition: During our testing of fixed assets, two out of sixteen assets selected were not made available for inspection. The Department of Public Works was unable to locate the custom cabinet listed at \$13,125. The Department of Public Health and Social Services Canon copier machine listed at \$17,311 was also not available for inspection.

Cause: The cause of the condition is unknown.

Effect: If an inspection of fixed assets cannot be performed to determine the condition of the selected asset, the related accounts may be misstated.

Recommendation: The responsible agency should maintain adequate and accurate documentation supporting the fixed assets.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-95 – Special Revenue – Federal Fund 101**

Criteria: Public assets which are earmarked for donation should be authorized and approved for such disposition.

Condition: A Department of Public Works' street sweeper listed as \$114,642 was donated to the municipality of Rota with no specific authorization or approval provided for such disposition.

Cause: The cause of this condition is unknown.

Effect: There exist a possibility that donated fixed assets may be incorrectly processed, thereby causing fixed assets to be misstated and may appear not to be in the best interest of the public.

Recommendation: We recommend the Division of Accounts obtain the Attorney General's opinion with respect to proper authorization of a donated asset.

#### **Finding No. 98-96 – Special Revenue – Federal Fund 101**

Criteria: Inventory balances should reflect actual amounts on hand.

Condition: Food coupon inventories of \$23,724,847 were erroneously recorded at year-end.

Per accounting records	\$ 34,403,765
Per audit	<u>10,678,918</u>
Difference	\$ <u>23,724,847</u>

Cause: The cause of this condition is unknown.

Effect: There is a potential for the food coupon inventory to be overstated by the difference stated above.

Recommendation: The Division of Accounts should perform ensure the accuracy of inventory recorded.

#### **Finding No. 98-97 – Special Revenue – Federal Fund 101**

Criteria: The time elapsed between the transfer of funds from the grantor and the disbursement of funds by the grantee must be minimized. Federal drawdowns should approximate the amount equivalent to the expenditures expected to be incurred over a limited time, such as the next three working days.

Condition: Cash has been received in excess of expenditures incurred. The Division of Accounts has federal cash drawdowns of \$7,161,934 in excess of expenditures incurred.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

### Finding No. 98-97 – Special Revenue – Federal Fund 101, Continued

	<u>Fund 101</u>	<u>Advance Deposit Balance</u>
1	FGIA Adv. DPW	\$ 1,723,279
2	FGIA Adv. Library	62,300
3	FGIA Adv. DYA	104,925
4	FGIA Adv. GEPA	2,840
5	FGIA Adv. DMHSA	41,018
6	FGIA Adv. DPR	311,912
7	FGIA Adv. VocRehab	32,534
8	FGIA Adv. CD	84,650
9	FGIA Adv. – Mayor’s Council	1,063,328
10	FGIA Adv. Ntn Guard	112,206
11	FGIA Adv. – Guam Fire Dept.	143,098
12	FGIA Adv. – Non Profit Org.	16,035
13	FGIA Adv. – Autonomous Agencies	335,578
14	FGIA Adv.- DOE	1,503,798
15	FGIA Adv.- Gov. Office	59,414
16	FGIA Adv.- BBMR	21,586
17	FGIA Adv.- Civil Service Comm.	11,716
18	FGIA Adv. – DOA	106,385
19	FGIA Adv.- Rev & Tax	75,571
20	FGIA Adv.- Planning	481,615
21	FGIA Adv.- Attorney General	11,705
22	FGIA Adv.- DPS	261,898
23	FGIA Adv.- Adv Correction	136,811
24	FGIA Adv.- Adv commerce	114,416
25	FGIA Adv. – DOL	116,138
26	FGIA Adv. – Agriculture	167,372
27	FGIA Adv. – DPHSS	39,519
28	FGIA Adv. – Customs & Quarantine	7,509
29	FGIA Adv. – GCAHA	<u>2,778</u>
	<b>Total</b>	<b>\$ <u>7,151,934</u></b>

Cause: There appears to be a lack of internal control policies and procedures over ensuring that the time elapsed between the transfer of funds from the grantor and the disbursement of funds by the grantee is minimized

Effect: The financial statements maybe affected by the condition if repayment to the grantor is required.

Prior Year Status: The finding was previously reported to management in the 1997 management letter.

Recommendation: The Government of Guam should establish and implement internal control policies and procedures to ensure that the time elapsed between the transfer of funds from the grantor and the disbursement of funds is minimized.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-98 – Special Revenue – Federal Fund 101**

Criteria: Supporting documents should be maintained on file to support the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition: For three (or 75%) out of four items tested, no procurement documents, such as requisitions, vendor price quotations, bid awards, bid analysis, intent of possible bid award and bid awards, are on file for the following:

<u>Vendor #</u>	<u>Reference Number</u>	<u>Description</u>
B03440B1	C980602750	RTE 4 PERMANENT RESTORATION (INARAJAN TO MERIZO)
B6834001	C980603570	CONSTRUCTION OF YIGO MULTI-PURPOSE GYM
C6464001	C980603410	CONSTRUCTION OF AGAT MULTI-PURPOSE GYM

Cause: The requested documents could not be located . There appears to be a lack of internal controls over procurement to ensure compliance with OMB Circular A-133 and the Common Rule procurement requirements.

Effect: There is no known material effect on the financial statements as a result of this condition. However, validity of the encumbrances may be questioned.

Recommendation: The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement. Also, the procurement documents should be located and provided to effect resolution of this finding.

#### **Finding No. 98-99 – Special Revenue – Federal Fund 101**

Criteria: The reserve for uncollectible accounts receivable should be reviewed and monitored in a timely manner.

Condition: During fiscal year 1998, management did not examine federal program related accounts receivable for possible uncollectible accounts. Therefore, no determination was made of a reserve for uncollectibles.

Cause: There appears to be a lack of internal control policies and procedures over ensuring that uncollected accounts are properly identified and reserved.

Effect: Accounts receivable may be overstated.

Prior Year Status: The finding was previously reported to management in the 1997 management letter.

Recommendation: The Division of Accounts should establish a formal method of determining a reserve for uncollectibles at fiscal year end.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-100 – Special Revenue – Federal Fund 101**

Criteria: Encumbrances should be properly supported by detailed documentation (i.e. authorized purchase order, etc.)

Condition: One encumbrance transaction for check number 960619 did not have an authorized purchase order substantiating the recording of the encumbrance.

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded as encumbrances may be misstated due to the absence of documentary evidence to support such amount.

Recommendation: The Division of Account should maintain detailed supporting documentation for encumbrance transactions and file in order (i.e. sequentially, chronologically) to ensure that transactions are properly supported and located.

#### **Finding No. 98-101 - Special Revenue-Federal Fund 101**

Criteria: Detailed supporting documents should be maintained on file to support cash received.

Condition: A revenue amount noted in the amount of \$1,460,270 was not supported by a cash receipt and bank statement.

<u>Date</u>	<u>Cash Receipt Number</u>	<u>Amount</u>
3/17/99	A98968928	\$ 196,066
10/15/98	A991009329	1,139,472
10/15/98	A991009330	63
10/30/98	A98956368	117,469
11/30/98	A991010076	<u>7,200</u>
	TOTAL	\$ <u>1,460,270</u>

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded may be misstated due to the absence of documentary evidence to support such amount.

Recommendation: The Division of Account should maintain detailed supporting documentation for revenue transactions and file in order (i.e. sequentially, chronologically) to ensure that transactions are properly supported and located.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-102 – Superior Court of Guam**

Criteria: Fixed assets balances recorded in the financial statements should be substantiated by a fixed asset list.

Condition: The Superior Court does not maintain a detail listing of fixed assets.

Cause: The cause of this condition is unknown.

Effect: Fixed asset balances in the financial statements cannot be substantiated.

Prior Year Status: The finding was previously reported to management in the 1997 management letter.

Recommendation: Inventories of fixed assets should be performed and a list compiled to account for all fixed assets owned by the Superior Court.

#### **Finding No. 98-103 – Travel**

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

Condition: Out of 25 travel packages tested, the following condition was noted:

1. The traveler flew first class.

<u>TA #</u>	<u>Amount</u>
T/P00652	\$ 1,716

2. Documentation to support that the traveler flew on economy class could not be located.

<u>TA #</u>	<u>Amount</u>
T986P00462	\$ 1,842

Cause: The cause of this condition is unknown.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the criteria may exist.

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

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Finding No. 98-104 – Travel

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

Condition: Of 25 travel packages tested, the following were not cleared within the required 15 day period:

<u>TA #</u>	<u>Date Returned</u>	<u>Amount</u>	<u>Date cleared</u>
T/P00188	12-17-97	\$ 300	03-16-98
T/P00088	11-8-97	\$ 375	08-13-99
T/P00062	10-31-97	\$ 750	x
T/P00113	n/a	\$2,036	x
T/P00654	n/a	\$1,430	x

x = outstanding as of 10/13/99

Cause: The cause of this condition is unknown.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the criteria appears to have occurred.

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

#### Finding No. 98-105 - Travel

Criteria: Travel disbursements should be properly supported by detailed documentation (i.e. A/R travel voucher, travel request and authorization, GovGuam itinerary form, order for transportation ticket form, per diem request for payment, and invoice).

Condition:

1. Supporting documents substantiating travel expenditures could not be located for travel package # T/P 00710 in the amount \$1,022.
2. Travel requests and authorization forms needed to verify mathematical accuracy could not be located for travel package # T/P 00654 in the amount \$1,430.

Cause: The supporting detailed documentation could not be located.

Effect: It is possible that amounts recorded as travel expenditures may be misstated due to the absence of documentary evidence to support recorded amounts.

Recommendation: The Division of Accounts should maintain detailed supporting documentation for travel expenditure transactions.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-106 - Travel**

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

Condition: Out of 25 travel packages tested, the following travel requests did not contain the required written justification:

<u>TA #</u>	<u>Amount</u>
T/P00113	\$2,036
T/P00550	\$1,118
T/P00587	\$ 750

Cause: The cause of this condition is unknown.

Effect: There is no known effect on the financial statements as a result of this condition. However, noncompliance with the criteria may have occurred.

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

#### **Finding No. 98-107 – Revenue/Receipts**

Criteria: In accordance with the Division of Accounts (DOA) Approval Level Required for Journal Vouchers (JV), the controller (or designee) should sign the JV, as evidence of review.

Condition: The following Department of Revenue and Taxation JV's, used to reverse a DOA revenue suspense account, did not contain signatures to indicate review:

<u>Reference #</u>	<u>Cash Report Date</u>
J980801145	05/04/98
J980801156	05/11/98
J980801315	06/15/98
J980801325	06/15/98
J980810493	07/23/98
J980801511	07/23/98
J980801505	07/23/98
J980801548	07/31/98
J980801551	07/31/98
J980801591	08/10/98

Cause: The cause of this condition is unknown.

Effect: There is no known effect on the financial statement as a result of this condition. However, it appears that the above mentioned journal vouchers may not have been reviewed by appropriate personnel.

Recommendation: Management should ensure that Department of Revenue and Taxation JV's are reviewed in accordance with existing policy.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Finding No. 98-108 – Department of Education - Payroll

Criteria: Employee labor hours should be charged to the account number appearing on the Personnel Action Form.

Condition: Of 25 payroll packages tested, seven employee personnel action forms (PAF) were not amended to properly reflect the account number to be charged for employee labor hours (Note: All costs are charged against non-federal related funds).

	<u>Employee #</u>	<u>PAF account #</u>	<u>Labor cost account #</u>
1	586075198	11.7.30.04.10.0111.5100	11.7.30.04.10.0111.0000
2	586649293	11.7.30.23.10.0111.5100	11.8.30.23.10.0111.0000
3	586743453	11.8.30.16.10.0111.5100	11.8.30.16.10.0111.0000
4	586780733	11.7.30.19.10.0111.5100	11.7.30.19.10.0111.0000
5	586626439	11.7.30.16.24.0111.5100	11.7.30.16.24.0111.0000
6	430909246	11.7.40.42.10.0111.5100	11.7.40.42.10.0111.0000
7	586646199	11.8.30.17.21.0111.5100	11.8.30.17.21.0111.0000

Cause: The cause of this condition is unknown.

Effect: There is no known effect on the financial statements as a result of this condition. However, employee PAF's are specifying an incorrect account number to be charged.

Recommendation: The Department of Education personnel department should amend PAF's to reflect the proper account number to be charged.

#### Finding No. 98-109 – Department of Administration - Payroll

Criteria: Overtime hours shall be incurred only in cases of emergency or when deemed necessary by a supervisor.

Condition: Of 25 payroll packages tested, excessive overtime hours for the following employee is noted:

	<u>PPE</u>	<u>Employee #</u>	<u>Dept</u>	<u>O/T hrs</u>	<u>O/T Pay</u>
1	11/8/97	1586015314	1024	146	\$ 4,906
2	12/20/97	1586015314	1024	130	\$ 4,368

Cause: The employee appears to have worked an average of 22.6 hrs/day and 21 hrs/day, for the two week payperiod ending 11/8/97 and 12/20/97, respectively.

Effect: There is no known effect on the financial statements as a result of this condition. However, employees may be charging excessive overtime hours.

Recommendation: Agency payroll department should implement internal controls to ensure that employees only charge hours actually worked.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Finding No. 98-110 – Procurement**

Criteria: In accordance with Section 3.206.6 Emergency Procurement, Section 3.202.16 Competitive Sealed Proposal, and 3.203.13.4 Competitive Sealed Bid of the GSA Procurement Regulations, the GSA Procurement Officer or the agency official should document a written justification for the basis of selection of a specific contractor.

Condition: No written justification on basis of selection of a specific contractor was noted for the following purchase orders/contract:

<u>PO #</u>	<u>Authority #</u>	<u>Amount</u>
P986E0059	3-206	\$ 29,798
P986E0060	3-206	\$ 69,530
P986E0061	3-206	\$ 43,542
P986E0062	3-206	\$ 66,913
P986E0063	3-206	\$ 60,755
P986E0032	3-206	\$ 42,871
P986E0103	3-206	\$152,857
C980602190	3-203	\$ 29,566
P986P00939	3-202	\$ 49,995
P986P00940	3-202	\$ 80,000

Cause: There appears to be a lack of compliance with the above specified GSA Procurement Regulations.

Effect: No effect on the financial statements results from this condition. However, noncompliance with the criteria may exist.

Recommendation: The GSA Procurement Officer or agency official should ensure compliance with sections 3.206.6, 3.202.16, and 3.203.13.4 of the GSA Procurement Regulations.

#### **Item No. 98-111 – General Computer Controls**

Criteria: The Department of Administration (DOA) Data Processing (DP) Department should provide for the physical security of computer equipment as well as for accounting files.

Condition: The doors of the DP Department building - first floor, which house the current operating system mainframe, DOA backup files and other computer equipment, do not have security locks, allowing easy access to the computer equipment and files by intruders.

Cause: There appears to be weak internal controls over ensuring that DOA computer equipment and files are physically secured.

Effect: There is no known effect to the financial statements as a result of this condition. However, there is poor physical security over computer equipment and files.

Recommendation: DP should install security locks on all doors located on the first floor of the DP building to ensure physical protection of computer equipment.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### Item No. 98-112 – Appropriations

Criteria: As stated in Public Law 23-45, appropriations for capital improvements or the acquisition of capital goods should be reviewed and unless work has commenced and ten percent (10%) of the funds have been expended within the appropriation date, the appropriation should cease and should become an authorization for an appropriation. Appropriated amounts should revert to the funds from which appropriated and a report detailing the reversion should be submitted to the Committee on Ways and Means.

Condition: During our investigation of capital outlay appropriations, we noted that the procedures as stated in the criteria were not performed for fiscal year 1998, and \$19,719,780 of capital improvement project continuing appropriations did not meet the requirements as stated in Public Law 23-45.

<u>Fund</u>	
100	\$ 13,468,202
224	4,395,095
251	<u>1,856,483</u>
	\$ <u>19,719,780</u>

Cause: The cause of this condition is unknown.

Effect: Continuing appropriation balances may be overstated and the unreserved fund balance may be understated.

Recommendation: The Department of Administration's Division of Accounts (DOA) should review capital improvement project continuing appropriations and comply with the provisions of Public Law 23-45.

#### Item No. 98-113 – Encumbrance

Criteria: Encumbrances should be reviewed on a periodic basis and communication should be made with the various agencies responsible to verify whether outstanding encumbrances with a prolonged period of inactivity should be liquidated.

Condition: Of ten outstanding encumbrances tested, five should be reviewed to determine if the balances should be liquidated. The encumbrances are as follows:

Encumbrance <u>Number</u>	Encumbrance <u>Date</u>	Outstanding <u>Balance</u>
1. M961700007	08/02/96	\$ 175,000
2. C940660496	08/31/94	\$ 227,824
3. M971700002	10/01/96	\$ 175,000
4. M971700004	02/05/97	\$ 175,000
5. M961700003	07/11/96	\$ 175,000

Item number 1 was noted for the same condition in the 1997 report to management.

Cause: There are various reasons as to why encumbrances may be still outstanding. Because of the amount of time that has lapsed, we believe that each specified encumbrances should be reviewed and all causes be evaluated by management.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Item No. 98-113 – Encumbrance, Continued**

Effect: The encumbrance balance may be overstated and the unreserved fund balance may be understated.

Recommendation: The Department of Administration's Division of Accounts (DOA) should review the outstanding encumbrance report on a quarterly basis to ensure that encumbrances reflect current needs. DOA should communicate with the various agencies involved to determine the status of outstanding encumbrances that have been inactive for at least a period of six months.

#### **Item No. 98-114 – General Fund – Accounts Payable**

Criteria: Authoritative documents supporting payments should be properly maintained.

Condition: A copy of a journal voucher and the accompanying documents could not be provided to support the amount of \$150,565 in child support payments for fiscal year 1998.

Cause: The cause of this condition is unknown.

Effect: There exists a possibility that transactions may be incorrectly processed, thereby causing payables to be misstated.

Recommendation: The Division of Accounts should maintain records to ensure that transactions are properly supported.

#### **Item No. 98-115 – General Fund – Accounts Payable**

Criteria: Contract Retention should be periodically reviewed and monitored to verify the validity of the account balance.

Condition: Authoritative documents, such as contracts, could not be provided in support of amounts which are outstanding since prior to September 30, 1993. These amounts total \$525,535.

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

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

Effect: The balance of the affected accounts may be misstated.

Recommendation: Periodic reconconciliations should be performed to monitor the status of contracts and the balance of the contract retention account. The Division of Accounts should consider whether older amounts should be written off and debit balances should be adjusted.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

#### **Item No. 98-116 – General Fund – Accounts Payable**

Criteria: A detailed subledger should be maintained to support applicable general ledger totals.

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

Cause: The cause of this condition is unknown.

Effect: The affected accounts may be misstated.

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

# GOVERNMENT OF GUAM

## Summary of Unresolved Questioned Costs from the Office of The Inspector General, U.S. Department of The Interior Year Ended September 30, 1998

Report Title/Assignment No.	Issue Date	Recommendation/Questioned Costs			
		<u>Beginning</u>	<u>Resolved</u>	<u>End</u>	<u>Amount</u>
Federal Grants Management N-IN-GUA-020-89	06-28-90	7	1	6	\$ -
Charges to Federal Grant DPHSS Program, N-IN-GUA-020-89A	10-26-89	7	6	1	-
Asses. & Collection of Property Taxes, DRT, GovGuam N-TG-GUA-021-89	01-04-90	9	6	3	<u>-</u>
Total Questioned Costs per Office of the Inspector General					\$ <u><u>-</u></u>

# GOVERNMENT OF GUAM

## Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 1998

	<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 89	\$ 59,758	\$ 59,758	\$ -
Unresolved Questioned Costs FY 90	222,052	222,052	-
Unresolved Questioned Costs FY 91	66,340	66,555	-
Unresolved Questioned Costs FY 92	171,642	171,642	-
Unresolved Questioned Costs FY 93	68,740	68,740	-
Unresolved Questioned Costs FY 94	4,406	4,406	-
Unresolved Questioned Costs FY 95	12,407	12,407	-
Unresolved Questioned Costs FY 96	7,387	7,387	-
Unresolved Questioned Costs FY 97	<u>771,484</u>	<u>-</u>	<u>771,484</u>
	\$ <u>1,384,216</u>	\$ <u>612,947</u>	771,484
Add Questioned Costs for FY 98			<u>7,290,244</u>
Total Unresolved Questioned Costs at September 30, 1998			\$ <u>8,061,728</u>

Note: The accompanying Summary Schedule of Resolved Prior Audit Findings presents resolved questioned costs in excess of the questioned costs initially set forth in prior audit reports.



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, 1998

CFDA #	FINDING #	QUESTIONED COST	RESPONDING OFFICE	COMMENTS
10.557	89-28	\$ 38	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	89-29	77	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
84.151	89-35	93	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	89-36	732	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	89-49	2,196	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	89-54	711	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.126	89-65	2,520	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
17.250	89-69	5,616	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
17.250	89-73	1,415	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
17.250	89-82	1,944	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
17.250	89-84	2,000	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.667	89-92	3,957	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.667	89-96	919	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.667	89-97	702	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.780	89-107	2,223	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	89-110	496	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	89-111	117	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	89-114	1,818	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	89-115	9,823	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	89-120	3,078	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	89-121	145	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	89-124	3,518	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	89-127	6,600	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
12.110	89-136	9,020	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
		<u>\$ 59,758</u>		
84.126	90-13	\$ 2,467	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	90-19	84	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	90-20	340	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	90-23	2,748	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
17.250	90-27	650	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
17.250	90-30	2,160	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	90-50	15	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	90-52	530	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	90-53	390	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	90-54	6,030	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	90-55	12	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.780	90-70	4,020	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.780	90-71	1,038	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
10.557	90-72	1,663	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	90-73	12	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	90-86	1,053	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
66.418	90-103	693	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	90-117	4,560	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	90-118	4,275	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	90-119	3,496	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
66.600	90-127	7,560	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
15.875	90-131	178,256	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
		<u>\$ 222,052</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, 1998

CFDA #	FINDING #	QUESTIONED COST	RESPONDING OFFICE	COMMENTS
10.551	91-06	\$ 1,501	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	91-07	3,084	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	91-21	2,570	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	91-26	710	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	91-30	1,060	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	91-36	49	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	91-44	15	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
13.714	91-50	18	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	91-58	7,553	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.714	91-59	577	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
13.780	91-69	1,354	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
12.110	91-77	3,973	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	91-79	1,200	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
15.875	91-86	240	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
83.516	91-95	26,048	FEMA-OIG 10/08/97	It appears that there are no outstanding audit issues.
83.516	91-97	627	FEMA-OIG 10/08/97	It appears that there are no outstanding audit issues.
83.516	91-109	7,783	FEMA-OIG 10/08/97	It appears that there are no outstanding audit issues.
84.027	91-117	1,099	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	91-121	5,512	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	91-122	165	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	91-128	1,417	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 66,555</u>		
10.551	92-03	\$ 1,731	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-09	1,311	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-12	330	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-13	536	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-14	1,938	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-15	1,959	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-17	30	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
12.110	92-27	4,994	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
20.205	92-40	6,300	USDOT, 10/22/98	Dept. has no open single audit findings
83.516	92-41	955	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
83.516	92-44	114,955	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
83.516	92-50	11,708	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
83.516	92-53	7,523	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
84.027	92-60	2,717	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-61	1,050	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-65	35	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-67	1,325	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-68	2,000	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-69	1,084	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-78	3,635	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	92-79	1,546	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	92-87	3,192	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
93.633	92-97	788	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
		<u>\$ 171,642</u>		
83.516	93-19	\$ 1,003	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
83.516	93-20	67,737	FEMA-OIG 10/06/98	It appears that there are no outstanding audit issues.
		<u>\$ 68,740</u>		
10.551	94-04	<u>\$ 4,906</u>	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved

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, 1998

<u>CFDA #</u>	<u>FINDING #</u>	<u>QUESTIONED COST</u>	<u>RESPONDING OFFICE</u>	<u>COMMENTS</u>
10.551	95-08	\$ 20	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
84.027	95-34	5,794	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
84.027	95-35	1,316	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
84.998	95-46	<u>5,277</u>	OMB A-133, Section .315	OMB A-133, Section .315(b)(4)
		<u>\$ 12,407</u>		
10.551	96-06	\$ 316	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	96-08	1,075	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	96-10	132	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	96-13	<u>5,864</u>	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
		<u>\$ 7,387</u>		

GOVERNMENT OF GUAM



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Marilyn D.A. Manibusan  
DEPUTY DIRECTOR

OCT 22 1999

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

Subject: **FY 1998 Audit Findings for the WIC Program (CFDA #10.557)**

Dear Mr. Fitzgerald:

This is in response to Ms. Mizpah Wiegand's memo dated October 19, 1999, concerning the audit conducted by your office of the Guam Special Supplemental Nutrition Program for Women, Infants and Children, also known as the Guam WIC Program, for the year ended September 30, 1998 (Fiscal Year 1998).

Enclosed, please find our responses and/or corrective action plans for unresolved audit findings: numbers 98-03, 98-04, 98-06, 98-07 and 98-08.

We appreciate this opportunity to respond and the courtesies extended to Mr. Charles Morris, Nutrition Health Services Administrator, and the Guam WIC staff by you and your staff and look forward to continued cooperation between our offices. Should you have any questions, please contact Ms. Sally Rivera at 475-0286, Mr. Charles Morris at 475-0287 or myself at 735-7102.

Sincerely,

  
DENNIS G. RODRIGUEZ  
Director

Enclosures

**Item No.**  
**98-03**  
(This item  
number trans-  
lates to audit  
finding number  
98-08)

**Criteria:**

In accordance with OMB Circular A-133 eligibility requirements and 7 CFR 246.7, an applicant's Nutritional Risk Assessment, Priority and Food Package Assignment and WIC Physician Referral Form must be certified by a "competent professional authority," which is defined as "physicians, nutritionists, dieticians, registered nurses, certified physician's assistants, or state or local medically trained health officials."

**Condition:**

For 2 (or 5%) out of 38 case files tested (i.e. I.D. #205014 and 403440), the signature of the competent professional authority is not apparent.

**Recommendation:**

The grantee should strengthen internal controls to ensure that a competent professional authority signs the WIC Physician Referral Form and performs the nutritional risk assessment and eligibility certification of an applicant in accordance with OMB Circular A-133 eligibility requirements and 7 CFR 246.7.

**Guam WIC Response and/or Corrective Action Plan:**

The problem of missing "Competent Professional Authority" signatures on certification forms is due to several intervening factors which disrupt the application of the procedures in place. The current procedure requires that client file folders containing the certification form that must be signed by the "competent professional authority", be forwarded to the Nutritionist I or II for review and signature after the data is collected and summarized.

The basic problem is in that there are not enough competent professional authorities to always have one present at each clinic and also meet the need for high risk counseling appointments. The Guam WIC Program is recruiting additional Nutritionist II staff to fill the existing three vacancies so that CPA signatures can occur more consistently and in a more timely manner. In addition, a Paraprofessional Training Manual has been implemented for the purpose of increasing the responsibility of the Nutrition Assistants to include the certification of WIC applicants. Nutrition Assistants who successfully complete the training manual modules will be responsible for reviewing and signing the certification forms thereby expediting the process and ensuring more complete compliance with the regulations.

Additional problems involve the disruptions to normal work flow when the computer system is not working during business hours. It is more likely that details such as signatures will not be in place due to the appropriate documents not being generated in a timely manner by the computer.

We project that by March 2000 there will be 4-6 CPA Nutrition Assistants who have completed our in-house training. This will allow us to have the client files reviewed and the certification signatures in place in a more timely manner.

**Item No.**  
**98-04**

(This item  
number trans-  
lates to audit  
finding number  
98-09)

**Criteria:**

Participant re-certification must occur within six months after the initial certification.

**Condition:**

For 6 (or 16%) out of 38 case files tested, the re-certification period was not met, as follows:

I.D. #	Initial Certification	Re-Certification Date	Days Late
401846	10/11/96	9/30/98	537
403228	01/11/98	None	50
402582	11/24/97	None	129
501404	12/01/97	None	121
205014	05/19/97	05/19/98	181
102534	11/20/97	07/30/98	71

**Recommendation:**

The grantee should strengthen controls to ensure that participants are re-certified within six months after the initial certification.

**Guam WIC Response and/or Corrective Action Plan:**

There appears to be some mis-interpretation in the status of the file folders reviewed by the auditor. Not all WIC clients are due for re-certification six months after their initial certification. Pregnant women may go 1 to 10 months after their initial certification before they are due to be re-certified as post partum WIC participants. This exception is due to the 6-week post-delivery period that pregnant women may continue as WIC participants under the status of "pregnant" and the length of time remaining in their pregnancy after initially participating in WIC. File numbers 402582 and 501404 seem to be consistent with this observation since certifications as post-partum women took place at 6 ½ months and 2 months respectively after their initial certifications.

File numbers 403328, 401846 and 102534 (205014 was not available for analysis) appear to have missed their re-certification appointments and did not contact the WIC Program to schedule a new appointment. Follow-up phone calls made to clients who miss appointments are routinely made and follow-up letters for pending termination of participants are sent to clients who can not be contacted or fail to respond. However, it has become increasingly evident due to the increase in caseload during the last 2-3 years that there is not enough time for clinic staff to adequately follow-up on missed appointments. Therefore, on or about September 1998 our new outreach staff implemented a procedure for following up on WIC clients who missed appointments. Documentation of letters and/or "Ineligibility" forms may not be found in client files to account for periods of non-participation.

**Item No.  
98-06**

(This item  
number trans-  
lates to audit  
finding number  
98-10).

**Criteria:**

In accordance with the Common Rule and 7 CFR 246.25, full and complete records concerning program operations, i.e., initial certification forms, case history forms, medical forms, and termination forms, shall be retained for a minimum of three years to substantiate a participant's eligibility determination.

**Condition:**

Out of 38 case files, we noted the following conditions:

- a) For one case (or 3%) (i.e., I.D. #100162), no initial certification form is documented in the file.
- b) For two cases (or 5%) (i.e., I.D. #402391, and 403597), no medical referral form or blood test is documented in the file.
- c) For three cases (or 8%) (i.e., I.D. #400014, 205837 and 100162), no termination form is documented in the file.

**Recommendation:**

The grantee should strengthen recordkeeping controls to ensure that records, such as initial certification forms, case history forms, medical forms, and termination forms, are retained for a minimum of three years in accordance with the Common Rule. Also, the grantee should locate and provide to the auditors the requested documents to effect resolution of this audit finding.

**Guam WIC Response and/or Corrective Action Plan:**

In general, there are two factors that seem to be contributing to the record keeping problems observed. First, our ADP system was implemented in June 1996. This created a void for procedures that were compatible with the new data processing methods imposed on the program. The need for new procedures was identified as problems were discovered and implemented on a trial or permanent basis depending on the nature of the problem. In addition to no procedures being in place when needed, there were frequent malfunctions and breakdowns of the computer system that were not anticipated and required back-up procedures to deal with the lack of automated support. Training of old and new staff was also a challenge at this time. We feel that we have addressed all the problems encountered, but are just now able to implement some of the needed basic repairs on the data processing system to allow a more consistent daily operation in the clinics. Secondly, there was typhoon Paka in December 1997 which required relocation of all clinic sites to the Tiyan Clinic and a total restructuring of daily operations for the emergency situation we were in. It was several months before clinic operations were able to return to normal. Our Santa Rita clinic is still not operating. During the typhoon recovery period clients were processed as though there was only one clinic. This made provision of services better, but it made it more difficult to separate the operation later as staff relocated back to their clinic site.

- a) Regarding the files reviewed, the following problems were noted:  
I.D. #100162: Folder in Mangilao clinic and unable to review for comment.
- b) I.D. #402391: No medical referral form on blood test is documented in the file.  
Not returned to clinic after audit.

I.D. #403597: A pregnant woman was certified eligible for WIC on 4/28/98 and lab test results recorded on the certification form. Subsequently the file folder was lost possibly due to the confusion involved with the return of the clinics back to their original sites after typhoon Paka. Therefore, the current folder does not contain the original documentation for the lab test. Also, the delivery date of the infant was 5/16/98 which is within the 60 day grace period for obtaining lab test results for pregnant women. Therefore, a lab test result for this woman is technically not required.

- c) I.D. #400014: No termination form is on file.  
I.D. #205837: No termination form is on file.  
I.D. #100162: No termination form is on file.

Although the procedure for follow-up of missed appointments is well known to the clinic staff, there has not been enough time left after processing clients to routinely follow-up on missed appointments. We have been able to recruit additional help at the front desk to allow for this activity by utilizing JOBS or CWEB clients. Unfortunately only about 5-10% of the individuals assigned to WIC stay with the job long enough to be of significant help. We also have assigned our Outreach staff person to prepare follow-up letters for clients who miss appointments and do not reconnect with the clinic within 1-2 weeks. This procedure started in August of 1999 and should minimize the problem. Copies of the letters sent are found in the client's file.

WIC clients that are determined ineligible at certification will have an ineligibility form in their file if they have been WIC participants up to that time. New WIC participants that are found ineligible (and do not have file folders) will have an Ineligibility form in a "common" file located in the reception area. Clients who miss their appointments and are sent a follow-up letter indicating pending termination of services will be terminated. A copy of the follow-up letter (or undeliverable letter) will then be kept in the client's folder to document the reason for termination.

Re-certification as a breastfeeding woman on 5/27/98 indicates that the Nutrition Assistant used invalid lab results for the certification and did not obtain a valid lab test result via telephone from the lab until 7/2/98. The supervisor has discussed this inappropriate client processing with the employee.

Re-certification for BF2 (breastfeeding the second six months after delivery) was done on 2/10/99. The same Nutrition Assistant inappropriately used a code 99/8 to over-ride the requirement for a blood test at this certification. The supervisor has discussed this inappropriate client processing with the employee.

In general, the shortage of competent professional authority clinic staff to scrutinize each client file folder allows some errors to get through uncorrected in a timely manner. Our paraprofessional training program is intended to minimize this problem.



**Item No.**

**98-07**

(This item  
number trans-  
lates to audit  
finding number  
98-11).

**Criteria:**

Participants shall sign the voucher issuance register to evidence receipt of the voucher.

**Condition:**

For 2 (or 5%) of vouchers tested (i.e., #2442836 and 2445626) the voucher number could not be located in the voucher issuance register.

**Recommendation:**

The grantee should strengthen internal control procedures to ensure that all food instruments are accounted for. Also, the grantee should provide to the auditors evidence of the ultimate disposition of the vouchers cited to effect resolution of this finding.

**Guam WIC Response and/or Corrective Action Plan:**

Missing voucher register with FI numbers 2442836 and 2445626. Both of the FI numbers were issued in January of 1998 (1/13/98 and 1/26/98 respectively). The signature log for these FI's can not be found and may be due to the abnormal circumstances surrounding the post typhoon Paka recovery period when all WIC clinics were operating out of the Tiyan location. In addition, firm procedures for quality control of the signature log and storage of the logs were not in place yet. It was not until our current Quality Assurance staff person started working for WIC in April 1999 that we realized the need for better procedures for storage and filing of the signature logs. We are currently discussing and formulating the policies and procedures that will be implemented by October 30, 1999 for FY2000.

**Item No.**

**98-08**

(This item  
number trans-  
lates to audit  
finding number  
98-12)

**Criteria:**

Rebate amounts per the Rebate Claim Schedule and the FNS-498 Report should agree.

**Condition:**

The rebate amounts per the Rebate Claim Schedule and the FNS-498 Report differed, as follows:

Issuance Month	Per Rebate Claim Schedule	Per FNS-498 Report	Over (Under) Reported
December 97	\$77,122.62	\$79,054.00	\$1,931.38
January 98	\$91,360.05	\$79,075.00	(\$12,285.05)

**Recommendation:**

The grantee should ensure that rebate amounts per the Rebate Claim Schedule and the FNS-498 Report agree.

**Guam WIC Response and/or Corrective Action Plan:**

The offset in variance for December 1997 of \$1,931.38 and for January 1998 of \$12,285.05 are due to system failure by Typhoon Paka in December 1997. The Guam WIC Program had to create a manual system which involved the duplication of temporary drafts with a numbering system. Attached is Table 1 which indicates the findings of pre-audit with Deloitte and Touche audited by Edwin Limtuatco. Also on the table is a breakdown and description of actions that were taken to correct the matter. The WIC Rebate Correction and WIC FNS 498 Correction column indicates and totals the manual and automated figures for December 1997 and January 1998.

Table 1  
Response for Deloitte and Touche Audit

Issuance Month	Month Report Printed	Per Rebate Claim	Per FNS 498	Variance	WIC Rebate Correction	WIC FNS 498 Correction	Description
Oct 97	Oct 97	74,306.83			74,306.83	74,306.83	The system mistakenly added \$39.13 to month of January which should have been counted for the month of October. Refer to October break above. \$526.57 is the correct figure that should have been used on the rebate claim instead of \$562.55.
	Nov 97	34,723.63			34,723.63	34,723.63	
	Dec 97	562.55			526.57	526.57	
	Jan 98				39.15	39.15	
		109,593.0	109,597.0	(4.99)	109,596.18	109,596.18	
Nov 97	Nov 97	54,655.77				54,655.78	Month of November is OK.
	Dec 97	52,658.41				52,658.44	
	Jan 98	1,954.81				1,954.82	
		109,208.9	109,269.0	(6.01)		109,269.04	
Dec 97	Dec 97	53,465.80			53,465.80	53,465.80	\$2,208.84 was from the manual rebate drafts which was not claimed for rebate but was reported on the FNS 498 for December.
	Dec 97				2,208.84		
	Jan 98	22,895.77			22,895.77	22,895.77	
	Jan 98	161.83			161.83	2,208.84	
	Feb 98	599.22			599.22	321.36	\$277.86 from manual rebate was not added to the FNS 498. \$161.83 was added on FNS 498 in the month of March.
	Feb 98					277.86	
	Mar 98					161.83	
		79,127.42	79,054.00	(1,931.38)	79,331.46	79,331.46	
Jan 98	Jan 98	47,995.93			47,956.80	47,956.80	The system mistakenly added \$39.13 to month of January which should have been counted for the month of October. Refer to October break down above. \$4,910.58 was claimed on January rebate and was added on the February FNS 498.
					4,910.58		
	Jan 98	4,910.58			78.31	78.31	
	Feb 98	37,995.41			37,995.41	25,673.58	
	Feb 98					12,321.83	\$12,321.83 manual rebate was not added to FNS 498 but was included in the rebate claim. \$455 was mistakenly calculated for FNS 498. Should have used \$458.13 for March.
						4,910.58	
	Mar 98	458.13			458.13	458.13	
		91,160.05	79,075.00	12,285.05	91,399.23	91,399.23	
Feb 98	Feb 98	55,739.25			55,739.25	55,739.25	Month of February is OK.
	Mar 98	48,969.86			48,969.86	48,969.86	
	Apr 98	706.90			706.90	706.90	
		105,416.0	105,416.0	0.00	105,416.01	105,416.01	

Variances found in audit were due to manual WIC drafts used for December 1997 and January 1998 after Typhoon Paka.



GOVERNMENT OF GUAM

DEPARTMENT OF MILITARY AFFAIRS

*Dipattamenton Asuntion Militat*  
622 East Harmon Industrial Park  
Fort Juan Muna, Tamuning, Guam 96911-4421



Hon. Carl T.C. Gutierrez  
Governor

October 15, 1999

Benny M. Paulino  
Major General  
The Adjutant General

Hon. Madeleine Z. Bordallo  
Lt. Governor

Ms. Mizpah Wiegand  
Deloitte & Touche  
361 South Marine Drive  
Tamuning, Guam 96911

Re: **Preliminary FY98 Audit Findings for the National Guard Military Operations and Maintenance (O&M) Projects (CFDA \*12.401)**

Hafa adai Ms. Wiegand:

Thank you for your letter dated October 7, 1999, subject as above. I want to point out for your information that this letter was delivered to us on October 14, 1999.

The following is our response to audit findings:

<u>Item No.</u>	<u>CFDA No.</u>	<u>Response</u>
98-01	12.401	We agree with the finding. Since February 1998 we were without an Accounting Technician due to child birth and complications which eventually led to the employee's resignation. Additionally, a hiring freeze was implemented during the same period which prevented us from filling the position. However, in June 1998 an in-house task force was developed. The Administrative Services Officer and the Word Processing Secretary began automating all accounting functions. The Word Processing Secretary, with bookkeeping experience and vast knowledge in computer software has been performing the accounting duties. All prior year reimbursements have been brought up to date. This arrangement will continue until a permanent Accounting Technician is recruited.

(This item number translates  
to audit finding number 98-13)

<u>Item No.</u>	<u>CFDA No.</u>	<u>Response</u>
98-02	12	The Department of Military Affairs, Office of the Quartermaster, disagrees with the finding. The cause noted in the audit is incorrect. The Quartermaster indicated that the responsibility for the conduct of the quarterly reconciliation lies with the Program Directors (PDs) appointed by The Adjutant General (para 13-4C(1), National Guard Regulations (NGR 5-1/ANG1 63-101). The Program Directors who are uniformed members of the Guam National Guard are required to reconcile quarterly with the United States Property and Fiscal Officer who in turn submits his report to the National Guard Bureau. The Program Directors did complete the required quarterly reconciliations for FY98. Therefore, we feel the audit should have included verification with the respective Program Directors.

(This item number translates  
to audit finding number 98-14)


*Response to Deloitte & Touche  
Preliminary FY98 Audit Findings  
October 15, 1999*

<u>Item No.</u>	<u>CFDA No.</u>	<u>Response</u>
98-03	12.401	Although the finding is addressed to the Department of Administration, Division of Accounts, we are providing the attached supporting documents. Hopefully, these documents will substantiate the expenditures in question.

(This item number translates to audit finding number 98-15)

If you should have any questions or wish to discuss any of these issues further, please call Mr. John T. Flores, Quartermaster, at 647-9150.

*Dangkolo na si Yu'os Ma'ase.*

  
BENNY M. PAULINO  
Major General, Guam National Guard  
The Adjutant General

Enclosures

cc: Director, Department of Administration  
Director, Bureau of Budget & Management Research  
Eloy S. Lizama, Office of the Public Auditor



## AGENCY FOR HUMAN RESOURCES DEVELOPMENT

AHENSAN INADILANTO YAN GUINAHIA PARA TAOTAO

GOVERNMENT OF GUAM

125 TUN JESUS CRISOSTOMO STREET

SUITE 307, SUNNY PLAZA

TAMUNING, GUAM 96911

TEL. (671) 647-7161 FAX (671) 647-7162



October 22, 1999

CARL T.C. GUTIERREZ, GOVERNOR OF GUAM  
MADELEINE Z. BORDALLO, LIEUTENANT GOVERNOR OF GUAM

Deloitte & Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96911

Hafa Adai! Sir or Madam,

Transmitted for your review and disposition is the Agency for Human Resources Development's response and corrective action plan for the preliminary findings of the completed FY 1998 audit.

Should you require additional information, you may contact Mr Jaime Celis, Deputy Director or Ofelia Muniz at 647-7156, 647-7152, or fax 647-7162.

Sincerely,

Junnita A. Matias  
Director,  
Agency for Human  
Resources Development

Attachments



Commonwealth Now!

**Item No. 98-02**

(This item number translates to audit finding number 98-20).

**Auditee Response and Corrective Action Plan**

The agency concurs with the recommendation to establish- and implement policies and procedures to ensure that the required notices, affidavits, or certification are obtained and documented on file in accordance with OMB Circular A-133. In an effort to provide corrective actions in resolving this issue, the agency developed a policy to provide definitions for unemployed and long-term unemployed, and to establish guidelines on eligibility for services under Title III, Dislocated workers program of the Job Training Partnership Act (JTPA).

Please note that AHRD was cited by Federal Reviewers for the U.S. Department of Labor's Regional and National Offices over GES's method of certification of the long-term unemployed individuals, specifically "The determination by GES that participants were long-term unemployed" was thus made on the basis of unsworn and uncorroborated self-certification. The agency's corrective action plan was determined appropriate by our grantor office.

The Agency for Human Resources Development (AHRD) and Guam Employment Service (GES/DOL) did not require long-term unemployed individuals to be "actively seeking employment" prior to application for Title III services. The only requirement was a layoff or termination notice or the fact that these individuals were long-term unemployed.

However, at the suggestion of our Federal Representatives, AHRD should establish more definitive guidelines for eligibility for Title III. AHRD immediately took steps to accept the suggestion of Region, and a policy was developed and made effective in September 1998 and thereafter. A copy of this policy (attached) was transmitted to the Director of Department of Labor for adoption and implementation by Guam Employment Service. This policy is now in effect and is being enforced by AHRD.

Bottom line, because this policy was not effectuated until September 1998, the provision of "actively seeking employment" should not be retroactively applied to the beginning of the Paka project. AHRD contends that it was in compliance with the Act for its Title III activities.



## AGENCY FOR HUMAN RESOURCES DEVELOPMENT

AHENSAN INADILANTO YAN GUINAHIA PARA TAOTAO  
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CARL T.C. GUTIERREZ, GOVERNOR OF GUAM  
MADELEINE Z. BORDALLO, LIEUTENANT GOVERNOR OF GUAM

October 28, 1999

TO: Deloitte & Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96911

FROM: Juanita A. Mafnas  
Director, Agency for Human Resources  
Development (AHRD)

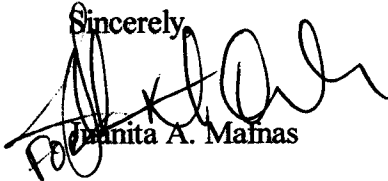
SUBJECT: Audit Area: Reporting, Finding No. 2, W/P Ref: 7102

Hafa Adai! Sir or Madam,

Transmitted for your review and disposition is the Agency for Human Resources Development's response and corrective action plan for the preliminary findings of the completed FY 1998 audit.

Should you require additional information, you may contact Mr. Jaime Celis, Deputy Director or Ofelia Muniz at 647-7156, 647-7152, or fax 647-7162.

Sincerely,



Juanita A. Mafnas

Attachments



Commonwealth Now!



- (1) Guam Institute of Aviation Technology, Contract No. 96-CT-003
- (2) Memorandum of Understanding & Agreement Between the Agency for Human Resources Development (AHRD) and the University of Guam (UOG) Small Business Development Center (SBDC) Entrepreneurial Training Program
- (3) Guam Community College, 96-MOU-001

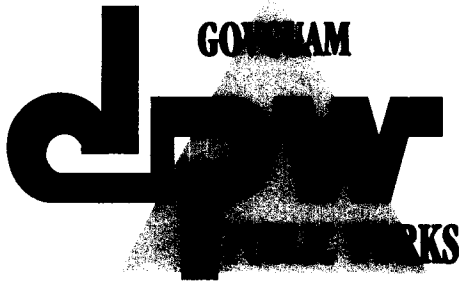
AHRD operates on a program year (July 1 to June 30) basis as opposed to the Government of Guam who operates on a fiscal year (October 1 to September 30) basis. Monitoring of the above two (2) subrecipients was performed within the program year, or at least once annually, as required by JTPA. If there are any discrepancies noted the subrecipient is advised of the discrepancy and required to make corrective actions. A second monitoring is conducted to ensure corrective actions have been made.

If subrecipients are determined to be in compliance with the Act and its regulations, then coordinated efforts continue between the Independent Monitoring Unit (IMU) and the Operations Division. Assigned staff from the Operations Division make routine contact with subrecipients and participants to ensure all is in order until the expiration of the contract.

In the case of Guam Community College (GCC), AHRD has performed the required desk review and participant monitoring activities which are two (2) vital elements of program monitoring. The only task left to perform is the subrecipient monitoring.

1998 was a year of challenge for AHRD. Supertyphoon Paka had a monumental impact on our operations and programs. Because of the magnitude of the disaster, AHRD focussed all its efforts to providing assistance to individuals who were laid off or lost their jobs because of the typhoon. In effect, priority for services were concentrated on Title III activities that resulted in suspending other activities until such time that the project was completed. Part of the suspended activities included scheduled monitoring of subrecipients and participants. Immediately after the Paka project ended, IMU reinstated its monitoring schedule and GCC will be monitored shortly.

Although monitoring of subrecipients were partially but not fully completed, it was due to circumstances beyond our control. We will ensure that any uncompleted monitoring activities are conducted and finalized.



OCT 07 1999

Ms. Mizpah Wiegand  
Deloitte & Touche  
361 South Marine Drive  
Tamuning, Guam 96911

**Re: Preliminary FY-1998 Audit Findings for the Highway Planning and Construction Program (CFDA #20.205)**

In reference to your memorandum of September 28, 1999, regarding referenced subject, the following are our responses to each item number stated:

**Item No. 98-01, CFDA No. 20.205:** (This item number translates to audit finding number 98-24).

DPW is not responsible for the disbursement of payment to contractors/consultants and or vendors. Therefore, we do not keep copies of checks on file. The Department of Administration is responsible for these copies.

Copies of payment requests, vendor invoices, receiving reports, purchase orders, or contract for transaction indicated are on file.

Contractors under contract for highway projects submit requests for payment instead of vendor invoices for services rendered for our review and approval prior to processing and requesting for payment to the Department of Administration.

**Item No. 98-02, CFDA No. 20.205:** (Based on the above response and documents reviewed, this finding has been resolved in the accompanying audit report).

All projects stated under this item have complete procurement documents as required. These documents are available at our department for your review. We would like to clarify that some of the projects indicated do not require the specific documents as stated in your memorandum. Some projects were procured as follows:

The Agana Bridge Reconstruction has been procured under engineering/architect services. All pertinent documents for procurement selection and award of this project are on file, such as request for proposal, selection process, award of project, copy of contract, and pertinent documents. These documents are available for your review. Said documents were reviewed by Ms. Marian Tanglaw in July, 1999.

The Route 16 Reconstruction, Phase 1A, Highway Hazard Elimination, and Route 3 Reconstruction and Widening, Design/Build projects were procured under construction procurement regulations. All procurement documents such as bid awards, bid analysis, bid tabulation, which are the vendors' price quotations, award of contract, and formal contract are on file and are available for your review.

All documents required for Land Acquisition for lot numbers 5160-P-R1 and 10-2-1G, BLK1, TR221, Route 16, are on file and are available for your review.

The procurement of services for the remaining projects, which are all Typhoon Paka related projects, were made pursuant to Section 3-206, Emergency Procurement, under GSA Procurement Regulation and approval from FHWA. All documents such as contractor's proposals, negotiated and/ agreed costs; and Notice to Proceed for the emergency and/or permanent repair and restoration are on file. These documents are available for your review.

**Item No. 98-03, CFDA No. 20.205: (This item number translates to audit finding number 98-25).**

All expenditures tested are under Typhoon Paka projects. Again, the procurement of services were made pursuant to Section 3-206, Emergency Procurement, under GSA Procurement Regulation, with the Governor's declaration of State Emergency, initial approval to proceed with the emergency repairs and the removal of debris from Federal Highway Administration, approval of requested total funds of \$12 million by FHWA. All these documents are available for review.

The department solicited proposals for each project through telephone calls from various contractors to submit proposal based on the scope of work as defined in the approved Damaged Assessment Report (DAR). Award of contract were made to the lowest responsive and responsible contractors. Although we made calls to various contractors, some did not submit proposals for the work nor respond to the request. Therefore, competitive procurement procedures were still followed.

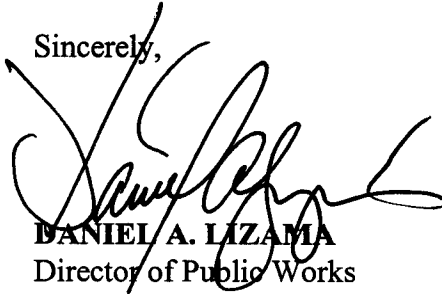
For the Traffic Signal System (TSS) Paka Emergency Repair, only Black Contruction Corporation responded to the emergency solicitation. The construction company was the only one capable to do the emergency work. It had the materials, manpower and equipment needed for emergency repair or restoration to insure safety and facilitate traffic which is vital to our economy.

Only Hawaiian Rock Products was called to submit proposals to do all PAKA pavement repair and/or restoration (ref: GU-ER-098-1(007), GU-ER-098-1(012), because the company is the only supplier of asphalt concrete pavement and also a general contractor. The government negotiated with their cost prior to award of project. All documents related to the

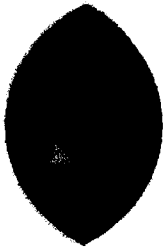
procurement are available for review.

Again, you are most welcome to review our files and you may coordinate with us about your schedule. If you have any questions, please call Mr. Raymond Torres, Acting Chief Engineer of Highways at 646-3126 or Ms. Perlita L. Sugang, Acting Engineer Supervisor of Highway Programming, Coordination and Control Section at 646-3217.

Sincerely,



**DANIEL A. LIZAMA**  
Director of Public Works



# DEPARTMENT OF LABOR

DIPATTAMENTON HUMOTNAT

JAMES H. UNDERWOOD, Director  
ROLANDO P. ZABALA, Deputy Director

CARL T.C. GUTIERREZ  
*Governor of Guam*

MADELEINE Z. BORDALLO  
*Lieutenant Governor*

October 22, 1999

Mizpah Wiegand  
Deloitte & Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96911

Re: Federal Emergency Management Agency  
Schedule of Findings and Questioned Costs

Dear Ms. Wiegand:

Enclosed, please find the Department of Labor's responses to the Preliminary FY1998 Audit Findings for the Disaster Unemployment Assistance Program (CFD #83-541) administered by the Guam Employment Service Division as a result of Super Typhoon Paka.

I trust that our responses reflect corrective actions to comply with all applicable federal laws, rules and regulations relating to the implementation and administration of the federal Disaster Unemployment Assistance Program.

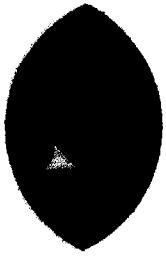
Should you have any questions or need additional information, please let me know or you may communicate directly with Ms. Josefina F. Nemerovsky, Employment Program Administrator, at 647-7057 or e-mail at [jfaguon@ns.gov.gu](mailto:jfaguon@ns.gov.gu) or [ges@ns.gov.gu](mailto:ges@ns.gov.gu).

Sincerely,

  
JAMES H. UNDERWOOD

Enclosures

cc: Department of Administration  
Bureau of Budget & Management Research  
Office of the Public Auditor



# DEPARTMENT OF LABOR

DIPATTAMENTON HUMOTNAT

JAMES H. UNDERWOOD, Director  
ROLANDO P. ZABALA, Deputy Director

CARL T.C. GUTIERREZ  
Governor of Guam

MADELEINE Z. BORDALLO  
Lieutenant Governor

## DISASTER UNEMPLOYMENT ASSISTANCE PROGRAM FEDERAL EMERGENCY MANAGEMENT AGENCY SCHEDULE OF IMMATERIAL FINDINGS FOR SUPER TYPHOON PAKA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>
98-01 (This item number translates to audit finding number 98-27)	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, such records as the case file, including the Guam Employment Service (GES) 511 form, check stub prior to disaster, picture identification, social security, gross receipts document, and FEMA/SBA report, should be maintained.

### Recommendation

The DUA Program should establish and implement internal control policies and procedures to ensure that the required documents are obtained and documented on file either during the application process or at the earliest subsequent date in accordance with DUA operating procedures.

### Auditee's Response and Corrective Action Plan

The Department of Labor agrees with the above audit recommendation. The Employment Program Administrator for Guam Employment Service Division, Ms. Josefina F. Nemerovsky, has completed the amendments to the operating procedures to comply with the above recommendation. The amendments include the following actions:

- Immediate training of DUA staff on intake application procedures and use of forms.
- Required completion of checklist immediately upon application for DUA benefits, no later than 30 days from date of application.
- Program Coordinator will ensure completion of required documentation and checklist by due date.

  
JAMES H. UNDERWOOD, DIRECTOR OF LABOR

10-25-99  
DATE



# DEPARTMENT OF LABOR

DIPATTAMENTON HUMOTNAT

JAMES H. UNDERWOOD, Director  
ROLANDO P. ZABALA, Deputy Director

CARL T.C. GUTIERREZ  
Governor of Guam

MADELEINE Z. BORDALLO  
Lieutenant Governor

## DISASTER UNEMPLOYMENT ASSISTANCE PROGRAM FEDERAL EMERGENCY MANAGEMENT AGENCY SCHEDULE OF IMMATERIAL FINDINGS FOR SUPER TYPHOON PAKA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>
98-02 (This item number translates to audit finding number 98-28)	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, Guam Employment Service must promptly announce, through all available news media, including newspapers, radio and television, that disaster unemployment assistance is available. The announcement must indicate that initial applications must be filed within 30 days of the presidential declaration of a disaster (i.e., by January 16, 1998).

### Recommendation

The DUA Program should establish and implement internal control policies and procedures to ensure compliance with DUA Operating Procedures and to give disaster victims full opportunities to apply for assistance.

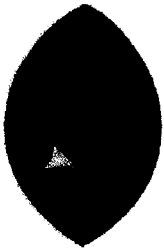
### Auditee's Response and Corrective Action Plan

The Department of Labor agrees with the above audit recommendation. The Employment Program Administrator for Guam Employment Service Division, Ms. Josefina F. Nemerovsky, has completed the amendments to the operating procedures to comply with the above recommendation. The amendments include the following actions:

- In addition to all free media coverages, both electronic and print, the Guam Employment Service Employment Program Administrator will ensure that announcements, through paid advertisements, will be disseminated through the following:
  1. Pacific Daily News 2 paid ads (2x2 column inch)
  2. KUAM/MCV 2 paid ads
  3. AM and FM 1 station AM (2 paid ads) – 1 station FM (2 paid ads)The first advertisement will be publicized as soon after the presidential declaration for the major disaster is received and USDOL, Region IX approves the grant for the implementation of the DUA program. The ad will inform individuals that applications for DUA must be filed as soon as possible, but not later than the 30<sup>th</sup> day following the announcement date. The second ad will be printed on or about the 20<sup>th</sup> day, but no later than the 25<sup>th</sup> day of the filing period to advise individuals of the deadline for filing an initial application. This advertising will reemphasize the need for filing as soon as possible and not later than the deadline. These publications will fulfill GES' obligations to provide disaster victims full opportunities to apply for assistance.
- In addition, the same printed information will be posted at all Mayors' offices and stores located on major routes in all villages, and copies to be disseminated throughout the various religious communities.
- The Program Coordinator will ensure that all requests for above publications and publicity are completed and processed and shall work closely with all media outlets to ensure accuracy of information is provided before printing of publicity.

  
JAMES H. UNDERWOOD, DIRECTOR OF LABOR

OCT 27, 99  
DATE



# DEPARTMENT OF LABOR

DIPATTAMENTON HUMOTNAT

JAMES H. UNDERWOOD, Director  
ROLANDO P. ZABALA, Deputy Director

CARL T.C. GUTIERREZ  
Governor of Guam

MADELEINE Z. BORDALLO  
Lieutenant Governor

## DISASTER UNEMPLOYMENT ASSISTANCE PROGRAM FEDERAL EMERGENCY MANAGEMENT AGENCY SCHEDULE OF IMMATERIAL FINDINGS FOR SUPER TYPHOON PAKA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>
98-03 (This item number translates to audit finding number 98-29)	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, a weekly telegraphic report is to be submitted to the National Office for the first eight weeks after the announcement date on which the President declared a disaster. Furthermore, a report on activities performed during the month is due in the National Office on the 10 <sup>th</sup> working day of the following month.

### Recommendation

The grantee should establish and implement internal control policies and procedures to ensure that all reports are prepared and transmitted in accordance with Disaster Unemployment Assistance Operating Procedures.

### Auditee's Response and Corrective Action Plan

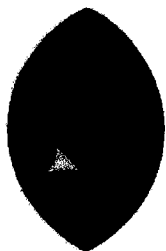
The Department of Labor agrees with the above audit recommendation. The Employment Program Administrator for Guam Employment Service Division, Ms. Josefina F. Nemerovsky, has completed the amendments to the operating procedures to comply with the above recommendation. The amendments include the following actions:

- Strict adherence to the submission of individual weekly telegraphic reports to the USDOL, RIX, San Francisco, local FEMA Office and the National Office no later than three working days after the end of each week.
- The Program Coordinator shall ensure that all telegraphic transmittal confirmations are on file no later than the 4<sup>th</sup> working day after the end of each week.
- The Program Coordinator shall submit, to the Employment Program Administrator, a monthly report by the 5<sup>th</sup> working day of the following month for review and approval. Upon approval, Program Coordinator will ensure telegraphic transmittal confirmation to USDOL, RIX, San Francisco, local FEMA Office and the National Office no later than the 10<sup>th</sup> working day of the following month.

*for: Rolando P. Zabala*  
JAMES H. UNDERWOOD, DIRECTOR OF LABOR

*10-23-99*  
DATE





# DEPARTMENT OF LABOR

DIPATTAMENTON HUMOTNAT

JAMES H. UNDERWOOD, Director  
ROLANDO P. ZABALA, Deputy Director

CARL T.C. GUTIERREZ  
Governor of Guam

MADELEINE Z. BORDALLO  
Lieutenant Governor

## DISASTER UNEMPLOYMENT ASSISTANCE PROGRAM FEDERAL EMERGENCY MANAGEMENT AGENCY SCHEDULE OF IMMATERIAL FINDINGS FOR SUPER TYPHOON PAKA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>
98-05 (This item number translates to audit finding number 98-30)	83.541	In accordance with Disaster Unemployment Assistance (DUA) Operating Procedures, all unrecovered overpayments at the end of the DUA Program period must be submitted to the Department of Administration, Division of Accounts for recovery through the Government of Guam process.

### Recommendation

The Disaster Unemployment Assistance (DUA) Program should establish and implement internal control policies and procedures to ensure that the required documents are prepared and submitted within the required time period.

### Auditee's Response and Corrective Action Plan

The Department of Labor agrees with the above audit recommendation. The Employment Program Administrator for Guam Employment Service Division, Ms. Josefina F. Nemerovsky, has completed the amendments to the operating procedures to comply with the above recommendation. The amendments include the following actions:

- USDOL, Region IX, UI, directed the Guam Employment Service to suspend recovery efforts until Guam establishes an appeals process for the Disaster Unemployment Assistance Program. On August 1999, Guam's proposed Appeals Process for the Disaster Unemployment Assistance Program was completed and submitted to Ms. Jaime Bachinski, Unemployment Insurance, USDOL, Region IX, for review and approval. Upon approval of the Appeals Procedures, the Employment Program Administrator and Program Coordinator will implement the Appeals Process and submit to the Department of Administration, Division of Accounts, the listing of unrecovered overpayments no later than 90 days from the end of the DUA Program period.

  
JAMES H. UNDERWOOD, DIRECTOR OF LABOR

10-25-99  
DATE

GOVERNMENT OF GUAM



Carl T.C. Gutierrez  
GOVERNOR

Madeleine Z. Bordallo  
LIEUTENANT GOVERNOR

DEPARTMENT OF PUBLIC HEALTH & SOCIAL SERVICES  
(DIPATTAMENTON SALUT PUPBLEKO YAN SETBISION SUSIAT)

Post Office Box 2816 Hagatña, Guam 96932

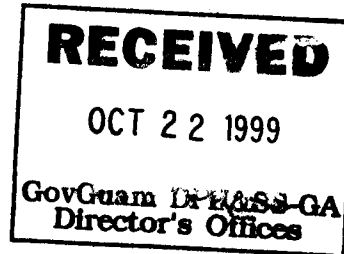
123 Chalan Kareta, Route 10

Mangilao, Guam 96923



Dennis G. Rodriguez  
DIRECTOR

Joe R. San Agustin  
DEPUTY DIRECTOR



Mizpah Wiegand  
Deloitte Touche Tohmatsu  
391 South Marine Drive  
Tamuning, Guam 96911

Subject: Corrective Action Plan  
Single Audit of the Individual and Family Grant Program  
Typhoon Paka

Dear Ms. Wiegand;

This Department is responsible for administering the Individual and Family Grant Program once Guam is declared a disaster area by the President of the United States. However, the Individual and Family Grant Program State Plan must be approved by Region 1X before the Program is executed.

The corrective action plans will assist the Program in meeting federal guidelines and requirements in the event Guam is declared a disaster area.

The attachments are corrective action plans for item numbers 98-01 through 98-05.

For further assistance, please contact Elizabeth A. Cabrera at 735-7256.

Sincerely,

  
DENNIS G. RODRIGUEZ  
Director



**CORRECTIVE ACTION PLAN**  
**SINGLE AUDIT OF THE INDIVIDUAL AND FAMILY GRANT PROGRAM**  
**TYPHOON PAKA**

**Item No. 98-01** (This item number translates to audit finding number 98-31).

The Grant Coordinating Officer (GCO) whose primary responsibility is to provide supervision of the overall operations of the Program will collaborate with accounting personnel in establishing procedures to assist in the preparation of the DARIS and quarterly reports.

The GCO will assign someone who will be responsible in carrying out these procedures. This person will work closely with the accounting personnel and provide status reports and updates to the GCO and ensure that reports are submitted by its due date.

**CORRECTIVE ACTION PLAN**  
**SINGLE AUDIT OF THE INDIVIDUAL AND FAMILY GRANT PROGRAM**  
**TYPHOON PAKA**

**Item No. 98-02** (This item number translates to audit finding number 98-32).

A dedicated file clerk will be responsible for ensuring that each recipient's casefile contains a signed copy of a document the individual signed showing that they received a check from the Individual and Family Grant Program. This process will be done only if individuals are required to pick up their checks from a check distribution center. This document will show the amount the individual is awarded and the types of assistance they are eligible to receive grant award monies for from the Program.

If grant award checks are mailed to the recipients the Program will request some type of verification or statement from the Bank where these checks are cashed. The GCO will meet with and coordinate these activities with bank personnel and assign someone who will be responsible to make sure this process is done.

**CORRECTIVE ACTION PLAN  
SINGLE AUDIT OF THE INDIVIDUAL AND FAMILY GRANT PROGRAM  
TYPHOON PAKA**

**Item No. 98-03 (This item number translates to audit finding number 98-33).**

To ensure that the Individual and Family Grant Program is in compliance with the State Plan as approved by Region 1X, the Program Manager will be responsible for ensuring that all grant award recipients have the required documentation in casefile to support their eligibility for grant award assistance.

The Administrative Panel will properly and completely fill out a Case Narrative when reviewing cases to determine eligibility for the Program. The review of these casefiles is provided by FEMA through their computer network which is updated daily by the National Processing Center in Virginia.

Although the audit findings indicate that there is no documentation to substantiate the eligibility of the cases reviewed, I recommend that the Individual and Family Grant Program have access to casefiles on-line. Two computers were purchased by the Program to assist in this process but no follow-up was done to ensure access to ADAMS.

Documentation in casefile will also include disapproval letters from the Program, appeal letters by individuals disputing their non-eligibility status and the Appeal Officer's decision regarding additional assistance or eligibility.

**CORRECTIVE ACTION PLAN**  
**SINGLE AUDIT OF THE INDIVIDUAL AND FAMILY GRANT PROGRAM**  
**TYPHOON PAKA**

**Item No. 98-04** (This item number translates to audit finding number 98-34).

As mentioned in Item No. 98-03, the Administrative Panel is responsible for gathering information and completing a Case Narrative for each individual transmitted to the Program. The number of individuals transmitted to the Program will determine the need to delegate individuals who will assist in reviewing casefiles to verify eligibility for grant award assistance.

Although signatures were not indicated in casefiles reviewed, the Program properly determined eligibility of recipients receiving grant award monies.

In future disasters, staff designated to do casefile reviews will be required to initial off on the case review summary verifying eligibility or non-eligibility status. The Program Manager will conduct random checks to further safeguard the Program's compliance with federal guidelines and requirements.



# DEPARTMENT OF EDUCATION

P.O. Box DE  
Agana, Guam 96932  
Tel: (671) 475-0457  
Fax: (671) 472-5003



October 21, 1999

Mizpah Wiegand  
Deloitte and Touche

Hand Deliver

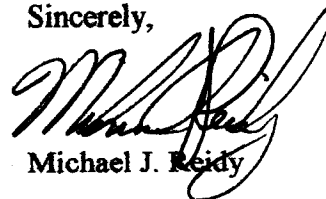
Dear Ms. Weigand,

As requested in your September 28, 1999, memorandum to Ms. Nora Sawyer, please find the response to the Preliminary FY 1998 Audit Findings for Special Education Program (CDFA 84.027).

If there are any further questions or clarification regarding our response, please contact Vince Leon Guerrero at the Division of Special Education telephone number 475-0549.

Thank you for your professional review of our Special Education Programs.

Sincerely,



Michael J. Reidy

Attachments

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**Item No: 98-01**      **CFDA No: 84027** (This item number translates to audit finding number 98-37).

**Criteria:** In accordance with OMB Circular A-133 period of availability of Federal Funds requirements, grant funds are available for expenditure and obligation by the grantee during the 15-month period from July 1 through September 30, plus a one-year carryover period. Unexpended/unobligated funds should be deappropriated at the end of the funds' periods of availability.

**Condition:** There are unexpended/unobligated balance from grants for fiscal years 1995 and 1996, whose periods of availability ended prior to the fiscal year ended September 30, 1997 and September 30, 1998, respectively. The aggregate total of unexpended/unobligated balances is \$ 84,826 as follows:

<u>Account No.</u>	<u>End of Grant</u>	<u>Unexpended/Unobligated Balance as of 9/30/98</u>
22.5.50.xx	1997	\$ 33,104.13
22.6.50.xx	1998	<u>51,721.67</u>
<b>Total</b>		<b>\$ 84,825.67</b>

**Response:** We concur with findings and recommendations

**Corrective Action:**

See response to audit 97-01 for fiscal year 1997 (same response).

Currently, funds are expended before the expiration date, due to certain circumstance; funds obligated are deappropriated when follow-ups are made to vendors. Below are a few example situations that describe how funds are deappropriated,

As our Business Office prepares for close out, vendors are contacted through fax, mail, or telephone to request information about outstanding purchase orders. Venders usually respond with information such as, items are back ordered, items are no longer available, items must be substituted, etc. When the information is received, Business Office will close the purchase order and funds then become deappropriated, then it is to late to re-obligate funds.

We will try to correct this problem by placing orders at least 5 months before closing of the fiscal year and try not to order from off-island when the closing period is near. This will give our agency time to re-obligate funds if necessary.





**Guam Department of Education  
Division of Special Education**

PO Box DE, Agana, Guam 96932  
Phone: 475-0549 or 0575 Fax: 475-0562



**AUDIT FINDING FOR FISCAL YEAR 1997**

**Item no. 97-01**

**Response**

We concur with findings and recommendations.

**Corrective Action Plan**

The Special Education's Administrative Officer, Ms. Nora Sawyer, will be responsible for reviewing grant transactions at the end of the fund's period of availability, for accounting unobligated balances and for de-appropriating/de-cumbering such expired balances.

Program Coordinators will be informed to place their orders at least 5 months before closing of the Fiscal Year. This will allow us the necessary time to monitor delivery of merchandise, goods and services to ensure that all encumbered funds are liquidated before expiration of the fund's period of availability.

Salaries and Benefits will be monitored every pay period to ensure that funds budgeted for personnel costs will be expended before the expiration of the grant period.

A purchase order listing is generated at the Business Office, Accounts Payable which is responsible for closing Purchase Orders and sending correspondence to vendors. Accounts Payable is under the jurisdiction of Vicky Quenga, Assistant Administrator. Administrative Officer will provide the Assistant Administrator a listing of Purchase Orders that need to be de-encumbered prior to the expiration of the fund's period of availability.

**Item No: 98-02**      **CFDA No: 84027** (This item number translates to audit finding number 98-38).

**Criteria:** In accordance with the OMB Circular A-33, special tests and provisions requirements and the eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-97," IEP Annual Review should occur on or before the annual due date of the IEP and the reevaluation should be performed every three years to determine whether students still meet eligibility criteria as a child with a disability requiring special education services under federal regulations.

**Condition:** For 7 (or 16%) out of 45 student files tested, the IEP Annual Review was performed late or was not performed.

**Condition:** For 10 (or 22%) out of 45 student files tested, the reevaluation was performed late or not conducted.

**Response:** We concur with the findings

**Corrective Action:** The Department recognizes that these findings consistently appear yearly in the audit. These items are under the management and control of the respective schools and CRTS assigned. To address these findings, the Division now has 4 compliance monitors that conduct regular compliance reviews at the schools. As part of this process, schools that have overdue IEPs and reevaluations must submit a corrective action plan to address these items. The plans must include how the school will address the overdue IEPs and reevaluations. Copies of the compliance report and corrective action plans are given to the respective Associate Superintendent and the Director. If the school does not comply and correct the items in the compliance visit as specified in their corrective action plans, the respective supervising Associate Superintendent will take administrative action.

**Item No: 98-03**      **CFDA No: 84027** (This item number translates to audit finding number 98-39)

**Criteria:** In accordance with the OMB Circular A-33 special tests and provisions requirements and the eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-97," parents are to be notified at least 10 days prior to the Individual Education Plan (IEP) Review Meeting.

**Condition:** For 4 (or 9%) out of 45 student files tested, parents were not notified at least 10 days prior to the meetings.

**Response:** We concur with the findings, citing the violation of our 1996-97 Handbook notification timeline of 10 days. However, it should be noted that this is not a violation of the federal statute or regulations. Of more importance is to find out if parents actually attend the meetings, given appropriate notice as specified in CFR § 300.345 (a) (1) and (2).

**Corrective Action:** The Department recognizes that these findings consistently appear yearly in the audit. The "Handbook for the Delivery of Special Education Services" has been revised in October 1998 and adopted in January 1999. This handbook does not specify a specific number of days in which parents are notified but cites CFR §300.345 (a) (1) notifying parents early enough to ensure that they will have an opportunity to attend; and (2) scheduling the meeting at a mutually agreed time and place. This allows for more flexible notification as many times parents also request for review meetings waiving the 10 prior notification.

**Item No: 98-06**      **CFDA No: 84027** (This item number translates to audit finding number 98-40).

**Criteria:** In accordance with OMB Circular A-133 subrecipient monitoring requirements, the pass-through agency must monitor the subrecipient for compliance with the subrecipient agreement.

**Condition:** Under the memorandum of understanding between Guam Community College (GCC) and the Guam Department of Education (DOE) – Special Education, GCC agreed to provide DOE with (1) detailed fiscal and performance report outlining all expenditures and program activities within thirty (30) days after the project termination date, i.e. December 31, 1998. However, GCC did not provide the detailed fiscal report for fiscal year 1998. Furthermore, the performance report was submitted 3 months late.

**Response:** We concur with the findings.

**Corrective Action:** Guam Community College is aware of the late submission of documents such as the detail Fiscal and Performance Reports. Payment requested from GCC was placed on hold pending submission of such documents. (See Business Office).

We will ensure that proper reports are submitted before payment is made.

DEPARTMENT OF LAW  
UFISINAN HINIRÁT ABUGAO  
Guahån

CARL T.C. GUTIERREZ  
*Maga'låbi*  
Governor

JOHN F. TARANTINO  
*Hiniråt Abugao*  
Attorney General

MADELEINE Z. BORDALLO  
*Tiñente Gubetnadora*  
Lieutenant Governor

OFFICE OF THE ATTORNEY GENERAL  
of Guam

*Dibision Familia*  
Family Division

ROBERT KONO  
*Atkådi Sigundot*  
Chief Deputy

KATHLEEN E. MAHER  
*Sigundo, Sibit Administrat*  
Civil, Administrative Deputy

October 29, 1999

DELOITTE TOUCHE TOHMATSU  
Attn: Mizpah Wiegand  
361 South Marine Drive  
Tamuning, Guam 96911

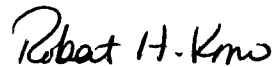
RE: Preliminary FY1998 Findings for the Child Support Enforcement-Title IV-D Program

Dear Ms. Wiegand:

I hereby submit the responses to the preliminary findings as sent to this office by facsimile on October 15, 1999 and October 27, 1999.

Thank you for your courtesy and cooperation.

Sincerely yours,



ROBERT KONO  
Attorney General, Acting

cc: Kathleen E. Maher, Civil Administrative Deputy

---

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238 Archbishop F.C. Flores St. • Suite 701, Pacific News Building • Hagåtña, Guam 96910  
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Chief Deputy

KATHLEEN E. MAHER

*Sigundo, Sibit Administrat*  
Civil, Administrative Deputy

October 28, 1999

Finding: 98-01 (This finding number translates to audit finding number 98-44).

The SF 272 and OCSE 396A reports were submitted late. The United States Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, has been very understanding regarding the reasons for the late submissions which have included during 1998: staff shortages, staff changes and coordination of data retrieval and reporting from manual systems and automated systems at this office and Department of Administration.

The internal controls and timetables exist, but the reasons stated above still exist and will continue to exist for an indefinite period of time.

---

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*Atikådi Sigundot*  
Chief Deputy

KATHLEEN E. MAHER

*Sigundo, Sibis Administrat*  
Civil, Administrative Deputy

October 29, 1999

Finding: 98-02 (This finding number translates to audit finding number 98-45).

There is insufficient identifying information contained in the finding to be able to respond with specifics regarding where the check copy, invoice, receiving report, or payment request is located. The information would be available either in the Administrative Offices of the Attorney General's Office with Mr. Felix Calvo or at Department of Administration.

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*Sigundo, Sibis Administrat*  
Civil, Administrative Deputy

October 29, 1999

Finding: 98-04 (This finding number translates to audit finding number 98-46)

Most of the locate information for files is contained in the APASI system and not always available in the case file documents. APASI was programmed to provide prompting messages to investigators and attorneys regarding locate deadlines on actions which should be taken based on the Family Support Act of 1988 and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and federal regulations adopted pursuant to those Congressional mandates.

In case file 10814: the entries in APASI show that beginning in September, 1998 when the file was opened after receiving a referral from the Department of Public Health and Social Services because the custodial parent was receiving public assistance benefits (TANF), the locate mechanisms were providing a prompt every ninety (90) days to the investigator assigned to the case. The custodial parent was not able to provide the social security number for the alleged father, so these locate mechanisms were limited. This file is still in a locate status with APASI and will remain so for another two years. At the end of the three year locate period, if the alleged father is not located, the file will be closed pursuant to federal closure policies contained in 45 CFR 74.21, 303.11 and 307.10(b)(1)(4) and (14).

In case file 10455, the file was opened in late July, 1998 after receiving a referral from the Department of Public Health and Social Services (DPHSS) because the custodial parent was receiving public assistance benefits (TANF). The entries in the file show that she provided an incorrect social security number for the alleged father when she filled out the forms at DPHSS, but when the correct number was finally received, we located the alleged father and a complaint was signed in late November, 1998, but not filed by the court until January 13, 1999. There is a current order for child support and the paternity was admitted at the first court hearing on March 4, 1999. The entries in APASI when combined with the documents in the case file show that this case is proceeding in a timely fashion once we had the correct information to identify the father.

Your auditors should ask the staff to help them access APASI so that a complete picture of the history of the file can be determined accurately.

---

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Family Division

ROBERT KONO

*Atåååi Sigundot*  
Chief Deputy

KATHLEEN E. MAHER

*Sigundo, Sibis Administrat*  
Civil, Administrative Deputy

October 29, 1999

Finding: 98-05 (incorrectly stated as 95-05 in the letter) (This finding number translates to audit finding number 98-47).

Files 9389 and 9733 do not contain a copy of birth certificates for the children for two reasons: they are interstate files in which Guam is the responding jurisdiction (another state has the original file with all of those documents in it) and the file 9389 results from a divorce in which paternity is presumed because the children are named as the children of the marriage being dissolved.

Files 10715 and 9423 do contain a copy of the birth certificate of the child stapled to the referral from Department of Public Health and Social Services.

Social Security Numbers for the children in all four of these files are available within the APASI records.

Again, if your reviewers had discussed what information they needed, the staff would have shown them where the information is in the files or in APASI.

---

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*HinirĀt Abugao*  
Attorney General

MADELEINE Z. BORDALLO

*Tiñente Gubetnadora*  
Lieutenant Governor

OFFICE OF THE ATTORNEY GENERAL  
of Guam

*Dibision Familia*  
Family Division

ROBERT KONO

*Atkådi Sigundot*  
Chief Deputy

KATHLEEN E. MAHER

*Sigundo, Sibit Administrat*  
Civil, Administrative Deputy

October 29, 1999

Finding: 98-07 (This finding number translates to audit finding number 98-48).

For file 9295, there was no action in 1998. The file was opened in 1993 after receipt of a referral from DPHSS. A summons and complaint was filed March 18, 1993 which has not been served upon the alleged father because his location has not been determined. Unless and until this party is served, there would be no paternity establishment, no paternity order and no order establishing child support.

For file 9811, it was opened in January, 1998 after receipt of a referral from DPHSS. The custodial parent only provided a name of the alleged father and that she thought he came from Yona, but there was no social security number, no birth date, and therefore, little information to be able to locate the alleged father. APASI records show that he is on locate status and that status is reviewed every 90 days. Unless and until this party is located and served with a summons and complaint, there would be no paternity establishment, no paternity order and no order establishing child support.

For file 9971, the case was opened in March, 1998 based on a Guam divorce case. The orders in the file show that the child was listed as a child of the marriage, therefore paternity is presumed and that the non-custodial parent was ordered to pay monthly child support. These orders in the file are copies of documents filed with the Superior Court of Guam by the attorney for the custodial parent.

For file 10148, the birth certificate of the child with the father's name on it and the signature of the father on it, is stapled to the referral received from DPHSS. The file was opened in 1998 but no action has been taken to establish a child support order. The file is being given to the appropriate investigator to prepare a summons and complaint for the child support.

For file 10450, the file was opened in July, 1998 from a referral from DPHSS. There is no information on the alleged father except a name and that he is in Saipan. We have asked the Attorney General's Office in Saipan to help with the location of the alleged father. We have not received any information regarding his location. The request to Saipan is shown in the records of APASI. These records apparently were not reviewed by the audit reviewers.

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Dennis G. Rodriguez  
DIRECTOR

JOE R. SAN AGUSTIN  
DEPUTY DIRECTOR

OCT 22 1999

Mizpah Wiegand  
Deloitte & Touche  
361 South Marine Drive  
Tamuning, Guam 96911


Subject: Preliminary FY 1998 Audit Findings  
for the Child Care and Development Funds

Dear Mizpah:

Transmitted herewith are our responses and corrective action plans for the Preliminary Fiscal Year 1998 Findings and Questioned Costs, Finding Nos. 98-01 through 98-09, for the Child Care and Development Funds.

If you have any questions or concerns, please call Diana B. Calvo, Chief Human Services Administrator, at 735-7274 or Julie L. Celeste, Management Analyst IV, at 735-7286.

Please acknowledge receipt of the above-mentioned documents by signing and returning to our office a duplicate of this letter.

  
DENNIS G. RODRIGUEZ  
Director

Enclosures

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-01 (This item number translates to audit finding number 98-49).

Condition:

1. It appears that Federal awards exceed the needs of the Program. There are unexpended/unobligated fund balances from grants for fiscal years 1995 and 1996, whose periods of availability ended prior to the fiscal year ended September 30, 1997 and September 30, 1998, respectively. The aggregate total of unexpended/unobligated balances is \$2,862,696, as follows:

Grant Year	Obligation End of Grant	Unexpended/Unobligated Balance at FYE 9/30/98
1995	1996	\$ 979,012.50
1996	1997	267,825.43
1997	1998	1,615,858.36
Total		<u>\$2,862,696.29</u>

2. There are current year expenditures of \$3,763.92 from a fiscal year 1995 grant, whose period of availability ended prior to the fiscal year ended September 30, 1998.

Response:

1. Agree. However, our records reflect unexpended/unobligated balance as of Fiscal Year Ended 9/30/98 are as follows for each fiscal account:

Grant Year	Grant Amount	Total Expenditures	Unexpended/Unobligated Balance
1995	\$2,000,374	\$1,064,252	\$ 936,122
1996	\$1,905,610	\$1,777,816	\$ 127,794
1997	\$1,966,973	\$ 320,260 + \$58,850 Enc	\$1,587, 863
Sub-total			<u>\$2,651,779</u>
1998	\$2,135,820	\$ 82,139 + \$11,471 Enc	\$2,042,210
Total			<u>\$4,693,989</u>

Refer to attached FSA-269A and ACF-696 reports and printouts for fiscal year ending 9/30/98 (Attachment A). Please note that there were errors on FSA-269A report for funding/grant period from 9/30/96. Unliquidated obligations of \$58,850 included obligations from the new CCDF funds; however, stated cumulative expenditures (\$302,470) and federal funds authorized (\$1,926,224) do not reflect the CCDF funds.

**Response (cont).: (Based on the above response and documents reviewed, this condition has been resolved in the accompanying audit report).**

- 2. Disagree. Indicated current year expenditure of \$3,764 from FY 1995 grant should not be a questioned costs. These transactions were completed on September 30, 1997. See Attachment B.**

**Corrective Action Plan:**

**WPS Supervisor and staff must ensure that figures are accurately reported.**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-02 (This item number translates to audit finding number 98-50).

Condition:

For 2 (or 50%) out of 4 quarterly ACF-696 reports, the report was submitted late, as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	1/30/98	2/03/98	4
2	4/30/98	5/11/98	11

Response:

Agree.

Corrective Action Plan:

Standard Operating Procedures for report preparation, and a timetable of report and their due dates will be reviewed and updated by Management Analyst IV. The timetable will be posted to ensure that reports are submitted in a timely manner.

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-04 (This item number translates to audit finding number 98-51).

Condition:

The grantee expended more than 5 percent of total CCDF awards expended, as follows:

Total CCDF Awards Expended per AS/400	\$1,615,457.11
x Maximum Rate	5%
Maximum Administrative Costs	\$ 80,772.86
Actual Administrative Costs per ACF700 and ACF696	210,769.00
Excess Administrative Costs	<u>\$ 129,996.14</u>

Response:

Agree. The grantee may have expended more than 5 percent of the funds expended from each fiscal year's allotment. However, this finding must be re-visited. 45 CFR Parts 98 and 99, CCDF Final Rule, page 39989, Subsection 98.52 – Administrative Costs, states that:

“ Not more than 5 percent of the aggregate funds **expended from each fiscal year's allotment** (not total awards expended in its entirety) shall be expended for administrative activities...”

Also, there are staff salaries that are direct service costs vs. administrative costs. Salaries for determining eligibility, implementing the certificate program, and systems activities are part of direct service costs.

Corrective Action Plan:

Management Analyst will develop an expenditure recording system to monitor and ensure expenses are within the cap for each CCDF activity.

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds**

**Item No. 98-05 (This item number translates to audit finding number 98-52).**

**Condition:**

**No program/financial report was submitted by the Department of Education, Headstart Program, for the Wrap-Around Program funded with Child Care and Development Funds. Furthermore, no corresponding assessment report was prepared by DPHSS.**

**Response:**

**Agree.**

**Corrective Action Plan:**

**Management Analyst will develop a standard operating procedures for reporting requirements and monitoring activities.**



Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-07 (This item number translates to audit finding number 98-53).

**Condition:**

For 2 (or 8%) out of 27 child care provider files tested (i.e., #98-0070239 and 66-0502328), a "fair" rating was noted, but no written intent by the child care center to correct deficiencies is documented in the file.

**Response:**

Agree. There is no documentation in file of written intent of the child care center to correct deficiencies. Any deficiencies noted on site visits are verbally given to licensing staff who is a member of the review committee for follow-up. BOSSA has policies and procedures in place to act on any referral.

**Corrective Action Plan:**

Management Analyst will review current BOSSA policies and procedures for usage and completion of the monitoring instrument form to develop CCDF SOP, to include review and update of the current form to conform with CCDF requirements.

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-08 (This item number translates to audit finding number 98-54).

**Condition:**

Out of 27 child care provider files tested, we noted the following:

- 1) For 9 cases (or 33%) (i.e., # 98-0070239, 66-0502328, 66-052861, 66-0495987, 98-0040312, 66-0526221, 66-052-1973, 28-92, and 4794), the "Monitoring Instrument for a Safe and Healthy Learning Environment in Child Care Centers" was not signed by both the CCDF Representative and the child care provider.
- 2) For 1 case (or 4%) (i.e., # 66-052-1973), the "Monitoring Instrument for a Safe and Healthy Learning Environment in Child Care Centers" was not completed.

**Response:**

Agree. However, it is not a current practice to have the monitoring instrument signed by both the CCDF representative and the child care provider. The document serves as a documentation of the visual inspection to the facility for safety, etc. prior to awarding of the sub-grants.

**Corrective Action Plan:**

Management Analyst will coordinate with BOSSA on maximizing the use of this instrument for licensing/monitoring activities and for CCDF monitoring activities.

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998  
Child Care and Development Funds

Item No. 98-09 (This item number translates to audit finding number 98-55).

**Condition:**

Out of 19 individual case files tested, we noted the following:

1. For 12 cases (or 63%) (i.e., 586-84-3122, 586-68-3520, 586-76-5369, 586-84-4389, 586-66-0018, 586-94-4441, 586-66-1892, 586-70-4678, 586-82-0488, 559-57-0594, and 586-82-4371), no mayor's certification is in the file.
2. For 7 cases (or 37%) (i.e., 586-19-9795, 586-68-3520, 586-94-4441, 586-66-1892, 586-86-0496, 586-70-4678, and 586-82-0488), no employment verification is in the file.
3. For 4 cases (Or 21%) (i.e., 586-84-4389, 586-66-0018, 586-94-4441, and 586-66-1892), no picture identification for the head of household, social security card and/or birth certificate of dependents is in the file.
4. For 3 cases (or 16%) (i.e., 586-66-0018, 586-94-4441, and 586-70-4678), no immunization record is in the file.
5. For 2 cases (or 11%) (i.e., 586-84-4389 and 586-66-1892), no monthly child care certification is in the file.

Furthermore, for 11 (or 24%) out of 46 cases, the case file could not be located for the following case numbers or providers:

- |                        |                              |
|------------------------|------------------------------|
| 1. 30-39932            | 7. R&C Tours Guam Inc.       |
| 2. 60-38328            | 8. Tamuning Day Care Center  |
| 3. 30-39390            | 9. Betty's Learning Center   |
| 4. 60-38328            | 10. Helen C. San Agustin     |
| 5. Lordes C. Taitague  | 11. Dededo Child Care Center |
| 6. Alfonsina T. Rivera |                              |

**Response:**

Agree. There is weak internal controls over recordkeeping. However, casefiles on the following has been located and are available for review:

- |                             |                             |
|-----------------------------|-----------------------------|
| 1. R&C Tours Guam Inc.      | 5. Dededo Child Care Center |
| 2. Tamuning Day Care Center |                             |
| 3. Betty's Learning Center  |                             |
| 4. Helen C. San Agustin     |                             |

**Corrective Action Plan:**

A checklist of documents to verify that applicants have met eligibility requirements is in place. The forms (see Attachment E) are being used by the program for audit trail purposes only, not as a requirement that clients submit copies of such documents for casefile. Social Worker/Eligibility Specialist would document on checklist that such documents were presented to them verifying client's eligibility.

Management Analyst will develop standard operating procedures on records management.

GOVERNMENT OF GUAM



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DEPUTY DIRECTOR

OCT 28 1999

Ms. Mizpah Wiegand, Auditor  
Deloitte and Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96911

Dear Ms. Wiegand:

Buenas yan Saluda!

This is in response to your memorandum, dated October 06, 1999, regarding Preliminary FY1998 Audit Findings for the Medicaid Program (CFDA#93.778).

Below are our responses to the following requested information relative to the schedule of findings:

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
1.	93.778	Service provider applications/agreements should be approved by the Administrator, Bureau of Health Care Financing.

(Based on the above response and documents reviewed, this finding is resolved in the accompanying audit report).

Condition:

For one (or 2%) out of 62 service providers tested, the application/agreement for vendor number I3106501 was neither signed approved by the Administrator, Bureau of Health Care Financing, nor dated as to effectiveness.

Cause:

The cause of this condition is unknown.

Effect:

There is no known effect on the financial statement as a result of this condition. However, there is a potential for the Program to be making payments to service providers who are not eligible.

**Recommendation:**

The grantee should strengthen internal control policies and procedures to ensure that payments are made only to service providers who have approved applications/agreements.

**Grantee Response:**

Grantee does not concur with the citation. The Medicaid program has in its file the original approved and signed service provider application/agreement by the Administrator, Bureau of Health Care Financing for vendor number I3106501. The effective date of provider participation is dated March 3, 1996 and is open ended. When vendor number I3106501 was initially approved and issued by DOA, it was assigned to, then named, **Cen Tam Dental Center**. However, overtime, the clinic has since changed its name to **Isa Dental**. The service provider application/agreement cited by the auditor is a subsequent application/agreement sent to our office by the representatives of Isa Dental to apprise us of the new name. Our office has attached this application to the original application/agreement for reference.

**Item No.**

2.

**CFDA No.**

93.778

(Based on the above response and documents reviewed, this finding is resolved in the accompanying audit report.)

**Criteria:**

In accordance with OMB Circular A-133 special tests and provisions requirements, in order to receive Medicaid payments, providers of medical services furnishing services must make certain disclosures to the State (42 CFR subpart B).

**Condition:**

For one (or 2%) out of 62 service providers tested, the provider agreement for vendor number U2516511 is not in the file.

**Cause:**

There appears to be weak internal control policies and procedures over ensuring that providers make the required disclosure in the provider agreements and that such agreements are maintained in the file.

**Effect:**

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

potential for the Program to be making payments to service providers who are not eligible.

Recommendation:

The grantee should strengthen internal control policies and procedures to ensure that payments are made only to service providers who have approved agreements.

Grantee Response:

Grantee **does not concur** with the citation. The Medicaid program does not have in its file an approved and signed service provider applications/agreements by the Administrator, Bureau of Health Care Financing for vendor number U2516511(Naval Hospital, Guam). Services rendered by this institution are exclusive to U.S. military personnel and, therefore, does not allow negotiation of such an agreement. Any payments that have been made to this vendor is due to services rendered to program clients during life threatening emergency situations when time and distance to transport clients to GMH is not feasible.

<u>Item No.</u>	<u>CFDA No.</u>
98-02	93.778

(This item number translates to audit finding number 98-56) .

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. State agendas shall maintain reports on their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS onsite reviews (45 CFR section 95.621).

Condition:

No risk analyses and security review are conducted for the Medicaid Program.

Cause:

There appears to be lack of internal controls over ensuring the performance of required risk analyses and security reviews.

Effect:

The grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year's audits of the Government of Guam. It appears that the grantee's fiscal year 1997 corrective action plan either was not implemented, or was incorrectly implemented so as to allow the condition to remain.

Recommendation:

The grantee should strengthen internal control policies and procedures to ensure that payments are made only to service providers who have approved agreements.

Grantee Response:

Based on your preliminary findings, we concur that a periodic risk analyses for the current system has not been performed by this department. While we concur with your statements, please understand the complexity in terms of what this department has had to encounter to ensure such analysis be done. In the past five years, we have been working assiduously to ensure that the entitlement system applications be completely re-designed. This was based on our assessment of the current hardware platform and software application. Our findings concluded that the department would be at risk of not meeting Year 2000 compliance if the programs were not moved to a newer systems environment. Hence, while we are still conducting on-going operations on the existing application, we realized that it would serve as an interim solution until our new system was developed.



We plan to start piloting the new system on November 1, 1999.

In addition, the Department of Health and Human Services' officials will be on-island by the last week of October. During their visit, they will perform audits of the new system to ensure that it complies with federal mandates. One of the discussions that will come up would be the need to perform a risk analysis on the new system once it is in production. We will aggressively pursue their assistance to ensure that this vital operation of performing a periodic risk assessment is met.

Item No.  
98-03

CFDA No.  
93.778

(Based on the above response and documents reviewed, this finding is resolved in the accompanying audit report).

Criteria:

In accordance with OMB Circular A-133 reporting requirements, the State Agency is required to submit form HCFA-64 within thirty days after the end of each quarter.

Condition:

For the first and fourth quarters of fiscal year 1998, the guarantee submitted from HCFA-64 43 days and 125 days after the end of the quarter, respectively.

Cause:

There appears to be weak internal controls over ensuring that form HCFA-64 is submitted in a timely manner.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements.

Recommendation:

The grantee should strengthen internal control procedures to ensure that form HCFA-64 is prepared and submitted in a timely manner.

Grantee Response:

The grantee does not concur with these citations. Attached is the front cover of the HCFA-64 for first quarter ended December 31, 1997, submitted by our department. The report was signed and approved by DPHSS, Director on January 31, 1999, which is within

federal submission deadline. However, the transmission of the report, via fax, was not received by our HCFA Region IX office until February 3, 1998, due to a telephone/fax line problem. This was communicated and concurred by our HCFA Regional office. The auditor's reason for citing the 43 days late submission may have been due to the grantee submitting the copy of the final reviewed HCFA-64 Report from our HCFA Region IX Office that was dated February 12, 1998. Also attached is the front cover of our HCFA-64 fourth quarter report approved and signed by our DPHSS, Director and transmitted on October 28, 1998. The initial report was communicated to our Region IX Office as an interim report because it did not include all possible expenditures, as some were unavailable from the Department of Administration. The auditor's reason for citing the 125 days late submission may have been due to the grantee submitting the copy of the final reviewed and approved HCFA-64 Report from our HCFA Region IX office that was dated February 02, 1999, which included updated expenditures from the Department of Administration (Please see attachments).

Should there be any questions or comments regarding this matter, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis G. Rodriguez', with a long, sweeping horizontal line extending to the right.

DENNIS G. RODRIGUEZ

Attachments: a/s