

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 1997

GOVERNMENT OF GUAM

Single Audit Reports
Year Ended September 30, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON 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, 1997, and for the year then ended, and have issued our report thereon dated October 19, 1998, which report was modified 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 noninclusion of the Pension Trust Fund, the Guam Housing and Urban Renewal Authority and the Guam Council on the Arts and Humanities Agency; the absence of audited financial statements of the Guam Memorial Hospital Authority, the Port Authority of Guam and the Guam Waterworks Authority (Public Utility of Guam), Component Units - Proprietary Funds, and the Guam Preservation Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund; the absence of GASB 18 disclosures; and our inability to form an opinion on certain Year 2000 disclosures. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs (pages 29 through 83) as item 97-49.

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 97-05, 97-09, 97-20 and 97-23 through 97-49.

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, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information 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.

Deloitte + Tardie LLP

October 19, 1998



**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, 1997. 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 83). 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 item 97-23 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding equipment management 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, 1997.

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.

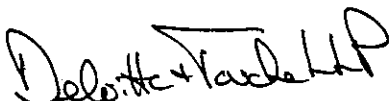
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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 97-01 through 97-23 and 97-34.

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 97-22 and 97-23 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 and for the year ended September 30, 1997, and have issued our report thereon dated October 19, 1998, which report was modified 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 noninclusion of the Pension Trust Fund, the Guam Housing and Urban Renewal Authority and the Guam Council on the Arts and Humanities Agency; the absence of audited financial statements of the Guam Memorial Hospital Authority, the Port Authority of Guam and the Guam Waterworks Authority (Public Utility of Guam), Component Units - Proprietary Funds, and the Guam Preservation Trust Fund, a Fiduciary Fund Type - Expendable Trust Fund; the absence of GASB 18 disclosures; and our inability to form an opinion on certain Year 2000 disclosures. 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 for the information 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 19, 1998

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 1997

Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. Department of Agriculture	\$ 1,850,444	\$ 38,544,222	\$ 38,891,713	\$ 2,197,935
U.S. Department of Commerce	799,516	1,926,380	1,697,119	570,235
U.S. Department of Defense	(21,979,728)	(11,444,391)	11,365,087	829,750
U.S. Department of Health and Human Services	1,200,839	51,248,435	51,821,793	1,774,197
U.S. Department of Housing and Urban Development	-	916	8,018	7,102
U.S. Department of the Interior	1,529,948	4,778,665	5,968,120	2,719,403
U.S. Department of Justice	429,861	3,006,245	3,462,873	886,489
U.S. Department of Labor	367,956	4,553,827	4,929,264	743,393
U.S. Department of Transportation	1,416,732	11,467,135	11,471,737	1,421,334
National Foundation on the Arts and the Humanities	4,810	654,005	659,095	9,900
U.S. Environmental Protection Agency	2,470,569	8,643,653	7,059,617	886,533
U.S. Department of Energy	(2,464,013)	(1,923,960)	559,654	19,601
Federal Emergency Management Agency	23,818	3,569,519	3,227,222	(318,479)
U.S. Department of Education	1,449,878	13,322,996	16,783,766	4,910,648
Corporation for National and Community Service	43,805	497,518	451,020	(2,693)
GRAND TOTAL	\$ (12,855,565)	\$ 128,845,165	\$ 158,356,098	\$ 16,655,368

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF AGRICULTURE					
10.072	Wetlands Reserve Program	\$ 891	\$ -	\$ -	891
10.156	Fed-State Marketing Improvement Plan	5,639	-	-	5,639
10.551	Food Stamp Program	155,472	27,339,505	27,184,033	-
10.553/5	School Lunch/Breakfast Program	827,123	3,143,047	3,666,104	1,350,180
10.557	Special Supplemental Food Program for Women, Infants and Children	362,690	5,142,029	4,894,683	115,344
10.560	State Administrative Expenses for Child Nutrition	(427,479)	139,957	209,433	(358,003)
10.561	State Administrative Funding for the Food Stamp Program	281,908	2,074,255	1,973,726	181,379
10.564	Nutrition Education and Training Program (NET Program)	-	38,764	38,764	-
10.568	Temporary Emergency Food Assistance (Admin. Costs)	69,476	69,476	-	-
10.664	Cooperative Forestry Assistance	482,339	503,817	924,970	903,492
10.651	Unknown	(165)	(165)	-	-
10.904	Watershed Protection and Flood Prevention (Small Watershed Program; PL-566 Program)	93,537	93,537	-	-
10.960	Technical Agricultural Assistance	-	987	-	(987)
10.963	Scientific and Technical Cooperation	(987)	(987)	-	-
U.S. DEPARTMENT OF AGRICULTURE TOTAL		\$ 1,850,444	\$ 38,544,222	\$ 38,891,713	\$ 2,197,935

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Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. DEPARTMENT OF COMMERCE				
11.300	Economic Development-Grants for Public Works & Development Facilities	\$ 464,859 \$	1,219,674 \$	1,023,782 \$	268,967
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	-	-	329	329
11.407	Commercial Fisheries Research & Development	171,979	166,966	230	5,243
11.419	Coastal Zone Management Program Administration Grants	160,215	555,872	620,823	225,166
11.427	Fisheries Development & Utilization Research and Development Grants and Cooperative Agreements Program	(2,374)	2,318	-	(4,692)
11.437	West Coast Fisheries Data Program	4,837	(18,450)	51,955	75,242
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ 799,516 \$	1,926,380 \$	1,697,119 \$	570,255

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Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF DEFENSE					
12.110	Planning Assistance to States	\$ (22,556,895)	\$ (12,191,792)	\$ 10,188,043	\$ (177,060)
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	(29,137)	-	-	(29,137)
12.400	Military Construction, Army National Guard	606,304	747,241	1,176,884	1,035,947
12.600	Community Economic Adjustment	-	160	160	-
U.S. DEPARTMENT OF DEFENSE TOTAL					
		\$ (21,979,728)	\$ (11,444,391)	\$ 11,365,087	\$ 829,750

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

<u>CFDA#</u>	<u>TANF#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
13.188		Health Education - Preventing Spread of AIDS	\$ 722	(722)	\$ -	1,444
93.023		Child Support Enforcement	164,079	331,124	168,228	1,183
93.037		Payments to States For Child Care Assistance	12,282	81,801	237,199	167,680
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)	-	1,855
93.044		Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	-	3,439,389	3,439,389	-
93.045		Special Programs for the Aging - Title III, Part C - Nutrition Services	157,889	2,482,950	2,465,285	140,224
93.046		Special Programs for the Aging - Title III, Part D - In-Home-Services for Frail Older Individuals	-	708,156	708,156	-
93.110		Maternal and Child Health Federal Consolidated Project Grants & Cooperative Agreements for Tuberculosis Control Programs	7,648	32,338	32,965	8,275
93.116		Grants for Technical Assistance Activities Related to the Block Grants for Community Mental Health Services-Technical Assistance Centers for Evaluation	24,209	153,018	150,082	21,273
93.150		Projects for Assistance in Transition from Homelessness	(7,367)	95,052	102,419	-
93.217		Family Planning Services	3	15,117	15,114	-
93.268		Childhood Immunization Grants	11,713	105,049	111,864	18,528
93.283		Centers for Disease Control - Investigations and Technical Assistance	25,263	313,684	330,885	42,464
93.556		Family Preservation and Support Services	9,900	9,900	-	-
93.560	93.558	Family Support Payments to States-Assistance Payments (AFDC Maintenance Assistance-State Aid)	7,104	162,161	178,792	23,735
			183,876	22,547,844	22,611,372	247,404
		BALANCE FORWARD	\$ 597,321	\$ 30,475,006	\$ 30,551,750	\$ 674,065

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	BALANCE FORWARD	\$ 597,321 \$	30,475,006 \$	30,551,750 \$	674,065
93.561	Job Opportunities and Basic Skills Training	-	347,917	363,243	15,326
93.563	Child Support Enforcement (Title IV-D)	133,735	2,660,481	2,778,537	251,791
93.575	Payments to States for Child Care Assistance	127,967	744,819	849,473	232,621
93.600	Administration for Children, Youth & Families - Head Start	30	1,241,795	1,308,032	66,267
93.630	Administration on Developmental Disabilities - Basic Support & Advocacy Grants	30,532	194,564	300,039	136,007
93.667	Social Services Block Grant	64,412	1,374,728	1,419,394	109,078
93.778	Medical Assistance Program (Medicaid; Title XIX)	59,331	1,141,533	12,049,301	(32,901)
93.912	Rural Health Service Outreach	2,058	99,655	104,297	6,700
93.917	HIV Care Formula Grants	-	5,971	8,573	2,602
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	8,210	171,344	176,196	13,062
93.945	Unknown	-	65,541	51,612	(13,929)
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	6,296	91,462	125,640	40,474
93.959	Block Grants for Prevention and Treatment of Substance Abuse Prevention and Treatment (SAPT) Block Grant	32,547	352,755	414,275	94,067
93.977	Preventive Health Services - Sexually Transmitted Disease Control Grants	(3,001)	47,027	50,028	-
93.988	Cooperative Agreements for States - Based Diabetes Control	5,088	77,434	86,502	14,156
93.991	Preventive Health and Health Services	42,010	291,317	294,208	44,901
93.994	Maternal Child Health Services Block Grant	79,136	771,492	792,055	99,699
96.001	Social Security - Disability Insurance	15,167	93,594	98,638	20,211
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	TOTAL	\$ 1,200,839 \$	51,248,435 \$	51,821,793 \$	1,774,197

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.854	Public and Indian Housing Drug Elimination Program	-	916	8,018	7,102
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	\$ -	\$ 916	\$ 8,018	\$ 7,102

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF THE INTERIOR					
15.601	Guam Fish Sport Development	\$ 73,405	\$ -	\$ -	73,405
15.605	Sport Fish Restoration	5,187	443,212	585,965	147,940
15.611	Wildlife Restoration	28,620	211,948	164,634	(18,694)
15.612	Endangered Species Conservation	45,695	397,183	435,729	84,241
15.875	Economic & Political Development of the Territories & the Trust Territory of the Pacific Islands	1,337,470	3,543,352	4,591,880 *	2,385,998
15.904	Historic Preservation Fund Grants-In-Aid	7,245	150,686	169,374	25,933
15.916	Outdoor Recreation - Acquisition, Development & Planning	32,326	32,284	20,538	20,580
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	\$ 1,529,948	\$ 4,778,665	\$ 5,968,120	\$ 2,719,403

*A total of \$2,917,736 was expended by the Government of Guam as a non-major program.

A total of \$1,674,144 was expended by the Guam Waterworks Authority, a subrecipient, as a non-major program.

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Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF JUSTICE					
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States (State Formula Grants)	\$ -	\$ 73,139	\$ 97,944	\$ 24,805
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis & Technical Assistance	10,558	135,570	127,737	2,725
16.548	Title V - Delinquency Prevention Program	-	36,852	41,941	5,089
16.549	Part E - State Challenge Activities	-	10,116	10,368	252
16.575	Crime Victim Assistance	50,691	182,164	181,707	50,234
16.579	State & Local Narcotics Control Assistance	180,557	1,429,999	1,567,553	318,111
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	-	529,999	441,098	(88,901)
16.582	Crime Victim Assistance - Discretionary Grants	102,104	(3,981)	-	106,085
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	-	3,656	8,195	4,539
16.588	Violence Against Women Formula Grants	-	236,165	362,299	126,134
16.605	Unknown	85,951	97,212	10,550	(711)
16.710	Public Safety Partnership and Community Policing Grants	-	275,354	613,481	338,127
	U.S. DEPARTMENT OF JUSTICE TOTAL	\$ 429,861	\$ 3,006,245	\$ 3,462,873	\$ 886,489

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ 2,389	\$ 58,408	\$ 39,148	\$ (16,871)
17.005	Compensation and Working Conditions Data	-	380,312	378,946	(1,366)
17.022	Unknown	(8,664)	(6,200)	-	(2,464)
17.203	Labor Certification for Alien Workers	24,074	63,665	66,984	27,393
17.207	Employment Service	59,500	407,832	507,001	158,669
17.232	Comprehensive Employment and Training Program	-	102,648	102,648	-
17.235	Senior Community Service Employment Program	108,152	723,989	794,597	178,760
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	-	-	52,429	52,429
17.250	Job Training Partnership Act	88,047	2,522,641	2,664,888	230,294
17.500	Occupational Safety & Health	20,538	1,858	-	18,680
17.503	Occupational Safety & Health	36,218	117,067	135,849	55,000
17.504	Occupational Safety & Health (OSHA)	37,702	181,607	186,774	42,869
	U.S. DEPARTMENT OF LABOR TOTAL	\$ 367,956	\$ 4,553,827	\$ 4,929,264	\$ 743,393

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
U.S. DEPARTMENT OF TRANSPORTATION					
20.005	Boating Safety Financial Assistance	\$ 249,762	\$ 105,357	\$ 190,518	\$ 334,923
20.205	Highway Planning & Construction	1,195,667	11,076,026	10,491,453	611,094
20.218	Motor Carrier Safety Assistance Program	28,360	241,638	245,523	32,245
20.600	State & Community Highway Safety	(57,057)	44,114	544,243	443,072
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ 1,416,732	\$ 11,467,135	\$ 11,471,737	\$ 1,421,334

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	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	4,810	654,005	649,195	-
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	\$ 4,810	\$ 654,005	\$ 659,095	\$ 9,900

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.418	Construction Grants for Wastewater Works	\$ 1,602,570	\$ 4,792,881	\$ 3,575,618	\$ 385,307
66.600	Environmental Protection Consolidated Grants - Program Support	867,999	3,850,772	3,483,999	501,226
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ 2,470,569	\$ 8,643,653	\$ 7,059,617	\$ 886,533

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. DEPARTMENT OF ENERGY				
81.000	Stripper Well/Exxon Overcharge Fund	\$ (2,492,061) \$	(2,049,599) \$	442,462 \$	-
81.041	State Energy Conservation	3,200	99,241	111,161	15,120
81.052	Energy Conservation for Institutional Buildings	24,848	26,398	6,031	4,481
	U.S. DEPARTMENT OF ENERGY	<u>\$ (2,464,013) \$</u>	<u>(1,923,960) \$</u>	<u>559,654 \$</u>	<u>19,601</u>

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
FEDERAL EMERGENCY MANAGEMENT AGENCY					
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	\$ 6,250 \$	49,049 \$	46,735 \$	3,936
83.012	Hazardous Materials Assistance Program (Hazardous Materials Program)	1,783	1,783	-	-
83.502	Unknown	84,801	125,160	40,359	-
83.503	Civil Defense-State & Local Emergency Management Assistance	33,480	6,437	10,667	37,710
83.505	State Disaster Preparedness Grants	5,345	(258,107)	48,380	311,832
83.516	Disaster Assistance	(143,660)	2,481,605	1,727,329	(897,936)
83.519	Hazard Mitigation Assistance	-	759,336	864,673	105,337
83.520	Hurricane Program	3,612	8,611	38,540	33,541
83.521	Earthquake Hazards Reduction Grants	5,530	57,053	57,052	5,529
83.528	Emergency Management Institute - Field Training Program	1,588	1,469	-	119
83.531	State and Local Emergency Management Assistance - Other Assistance	25,089	25,089	-	-
83.532	Unknown	-	4,224	4,224	-
83.534	Emergency Management - State and Local Assistance	-	330,084	345,247	15,163
83.535	Unknown	-	28,379	44,016	15,637
83.834	Unknown	-	(50,653)	-	50,653
FEDERAL EMERGENCY MANAGEMENT AGENCY					
TOTAL					
		\$ 23,818 \$	3,569,519 \$	3,227,222 \$	(318,479)

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	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 (568,916)	-	-	111,592 (828,191)
84.027	Special Education - Grants to States		5,246,068	4,986,793	
84.029	Handicapped Education - Special Education Personnel Development	(65)	85,632	84,817	(880)
84.034	Library Services	32,554	163,738	137,805	6,621
84.035	Interlibrary Cooperation	4,704	9,068	4,364	-
84.053	Vocational Education - State Councils	128	-	1,178	1,306
84.073	National Diffusion Network	-	3,568	317	(3,251)
84.124	Territorial Teacher Training Assistance Program	4,343	(11)	-	4,354
84.126	Rehabilitation Services - Basic Support	783,799	1,597	1,701,481	2,483,683
	BALANCE FORWARD	\$ 368,443 \$	\$ 5,509,660 \$	\$ 6,916,755 \$	\$ 1,775,538

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	U.S. DEPARTMENT OF EDUCATION BALANCE FORWARD	\$ 368,443	\$ 5,509,660	\$ 6,916,755	\$ 1,775,538
84.151/	Consolidated Grant	935,167	6,878,990	8,378,068	2,434,245
84.998	Rehabilitation Services - Client Assistance Program (CAP)	-	45,180	45,709	529
84.161	Comprehensive Services for Independent Living	-	-	6,098	6,098
84.169	Handicapped - Preschool Incentive Grants	14,995	106,812	108,796	16,979
84.173	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	79,750	-	-	79,750
84.177	Leadership in Educational Administration Development	(53,515)	(53,515)	-	-
84.178	Technology Applications for Individuals with Disabilities	-	-	800	800
84.180	Handicapped Infants & Toddlers	30,252	673,239	933,116	290,129
84.181	Byrd Honors Scholarships	-	44,840	44,840	-
84.185	Drug Free Schools & Communities - State Grants	72,992	22,594	156,156	206,554
84.186	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	-	-	69,384	69,384
84.187	Bilingual Education Support Services	-	3,255	3,255	-
84.194	Education Grant Program for the Freely Associated States	-	1,067	1,067	-
84.256	GOALS 2000 - State and Local Education Systematic Improvement Grants	-	89,080	119,722	30,642
84.276	Unknown	1,794	1,794	-	-
84.511					
	U.S. DEPARTMENT OF EDUCATION TOTAL	\$ 1,449,878	\$ 13,322,996	\$ 16,783,766	\$ 4,910,648

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 1996	Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1997
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	43,805 \$	491,446 \$	444,948 \$	(2,693)
94.009	Training and Technical Assistance	- \$	6,072 \$	6,072 \$	-
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	43,805 \$	497,518 \$	451,020 \$	(2,693)
	GRAND TOTAL	\$ (12,855,565) \$	128,845,165 \$	158,356,098 \$	16,655,368

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

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 which 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, 1997

2. Summary of Significant Accounting Policies, Continued:

a. Basis of Accounting, Continued:

All expenses and capital outlays which represent the federal share are reported as expenditures. This includes earned reimbursements under different formula grants and entitlement programs which 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 1997 grant programs (1995 plan) are based on 1995 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 1995. The indirect cost rate plan 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. It does not include the following component units of the Government of Guam:

- Guam International Airport Authority
- Guam Power 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
- Guam Educational Radio Foundation

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1997

3. Reporting Entity, Continued:

These component units also receive federal financial assistance, but separately satisfy the audit requirements of OMB Circular A-133. However, the Guam Memorial Hospital Authority and the Port Authority of Guam have yet to complete their audits for the fiscal year ended September 30, 1997, and have therefore not yet satisfied their federal audit requirements, if applicable.

The Government of Guam administers certain federal financial assistance 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 fiscal year ending September 30, 1997, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Coupons issued and redeemed	\$ <u>27,184,033</u>
Total Food Stamps reported on the Schedule of Federal Financial Assistance	\$ <u>27,184,033</u>

The value of Food Stamps held in custody by the Government of Guam's agent totaled \$8,907,720 at September 30, 1997.

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, 1997.

5. TANF Number:

The Government of Guam implemented the Temporary Assistance for Needy Families (TANF) Block Grant on July 1, 1997.

GOVERNMENT OF GUAM

Schedule of Major Federal Award Programs Year Ended September 30, 1997

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 1997 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamp Program	27,184,033
	10.561	State Administrative Funding for the Food Stamp Program	1,973,726
	10.553	School Breakfast Program	888,576
	10.555	National School Lunch Program	2,777,528
	10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	4,894,683
U.S. Department of Transportation	20.205	Highway Planning and Construction	10,491,453
U.S. Environmental Protection Agency	66.418	Construction Grants for Wastewater Works	3,575,618
	66.600	Consolidated Environmental Protection Grants	3,483,999
U.S. Department of Education	84.027	Special Education	4,986,793
	84.998	Consolidated Grant	8,378,068
U.S. Department of Health and Human Services	93.044	Special Program for the Aging- Title III, Part B - Grants for Supportive Services and Senior Centers	3,439,389
	93.560/ 93.558	Family Support Payments to States/Temporary Assistance for Needy Families	22,611,372
	93.778	Medical Assistance Program	12,049,301
Total Federal Programs selected for audit			\$ <u>106,734,539</u>
Total Federal Awards program expenditures			\$ <u>148,168,055</u>
Percentage of Federal Awards Programs tested			<u>72%</u>

GOVERNMENT OF GUAM

Reconciliation of Schedules of Federal Awards to General Purpose Financial Statements Year Ended September 30, 1997

		Fiscal Year 1997 <u>Expenditures</u>	
Federal contributions, as reported in the 1997 financial statements:			
Federal grants assistance fund, expenditures and transfers out		122,347,106	
<u>CFDA #</u>			
Guam Waterworks Authority:			
66.418	Construction Grants for Wastewater Treatment Works	3,575,618	
15.875	Economic & Political Development of the Territories & the Trust Territory of the Pacific Islands	<u>1,674,144</u>	5,249,762
Government of Guam Department of Education:			
10.553	School Breakfast Program	888,576	
10.555	National School Lunch Program	2,777,528	
10.560	State Administrative Expenses for Children Nutrition	209,433	
10.564	Nutrition Education & Training Program (NET Program)	38,764	
17.249	Employment Services and Job Training-Pilot and Demonstration Programs	52,429	
84.027	Special Education - State Grants (Part B, Individuals with Disabilities Education Act)	4,986,793	
84.029	Special Education-Personnel Development & Parent Training	84,817	
84.073	National Diffusion Network (NDN)	317	
84.151/ 84.998	Federal, State, & Local Partnerships for Educational Improvement	8,378,068	
84.173	Handicapped-Preschool Incentive Grants	108,796	
84.180	Technology Application for Individuals with Disabilities	800	
84.181	Handicapped Infants and Toddlers	933,116	
84.185	Byrd Honors Scholarships	44,840	
84.194	Bilingual Education Support Services	3,255	
84.256	Education Grant Program for the Freely Associated States	1,067	
84.276	GOALS 2000 – State and Local Education Systematic Improvement Grants	119,722	
93.037	Payments to States for Child Care Assistance	172,687	
93.600	Administration for Children, Youth & Families - Head Start	<u>1,308,032</u>	
Government of Guam Department of Education - Total		20,109,040*	

GOVERNMENT OF GUAM

Reconciliation of Schedules of Federal Awards to General Purpose Financial Statements, Continued Year Ended September 30, 1997

12.110	Department of Defense: Planning Assistance to States (not included in the Federal grants assistance fund)	10,404,937
81.000	Stripperwell/Exxon Overcharge Fund	442,462
	Unlocated difference	<u>(197,209)</u>
	Total Federal Expenditures	158,356,098
	Less total Department of Defense (12.110) which has been ruled to not be subject to single audit procedures	<u>(10,188,043)</u>
	Total Federal Expenditures Subject to Audit	\$ <u>148,168,055</u>

Note: Effective January 1, 1994, the Government of Guam Department of Education obtained control over its accounting functions previously administered by the Department of Administration's Division of Accounts. The Government of Guam Department of Education balances represent federal expenditures recorded by the Department of Education after January 1, 1994.

* These expenditures relate solely to the portion of program expenditures incurred by the Government of Guam Department of Education.

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 1997

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 1997

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, none of which are considered to be material weaknesses.
3. One instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, two 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
Highway Planning and Construction	20.205
Construction Grants for Wastewater Works	66.418
Environmental Protection Consolidated Grants – Program Support	66.600
Special Education – Grants to States	84.027
Consolidated Grant	84.998
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044
Family Support Payments to States - Assistance Payments/ Temporary Assistance for Needy Families	93.560/ 93.558
Medical Assistance Program	93.778

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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
97-05	Allowable Costs/Cost Principles	\$ -
97-09	Allowable Costs/Cost Principles	-
97-20	Allowable Costs/Cost Principles	-
97-23	Equipment Management	-
97-24	General Fund	-
97-25	Taxes Receivable	-
97-26	Taxes Receivable	-
97-27	Other Accounts Receivable – General Fund	-
97-28	Other Accounts Receivable – General Fund	-
97-29	Other Accounts Receivable – General Fund	-
97-30	Other Accounts Receivable – General Fund	-
97-31	Other Accounts Payable and Other Payables – General Fund	-
97-32	Other Accounts Payable and Other Liabilities – General Fund	-
97-33	Outstanding Encumbrances	-
97-34	Fund 101 – Special Revenue (Cash Management)	-
97-35	Fund 101 – Special Revenue	-
97-36	Continuing Appropriations – Special Revenue	-
97-37	Manpower Development Fund – Deposits and Other Liabilities	-
97-38	Manpower Development Fund – Revenues Allocated to Guam Community College	-
97-39	Safe Streets Fund – Cash Account	-
97-40	Fund 351 – Land Acquisition – Commitment of Funds	-
97-41	Continuing Appropriations – Special Revenue	-
97-42	Special Revenue Funds	-
97-43	Continuing Appropriations of Federal Funds – Special Revenue	-
97-44	Fixed Assets – Superior Court of Guam	-
97-45	Internal Service – Fund 314	-
97-46	GWA – Payroll	-
97-47	Travel	-
97-48	Child Support Liability	-
97-49	Continuing Appropriations	-

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
97-01	Reporting	\$ -
97-02	Records Retention	-
97-03	Eligibility	-
97-04	Reporting	34,387
97-05	Allowable Costs/Cost Principles	11,015
97-06	Special Tests and Provisions	-
97-07	Eligibility	-
97-08	Reporting	-
97-09	Allowable Costs/Cost Principles	13,372
97-10	Period of Availability of Federal Funds	-
97-11	Special Tests and Provisions	-
97-12	Eligibility	-
97-13	Special Tests and Provisions	-
97-14	Subrecipient Monitoring	-
97-15	Period of Availability of Federal Funds	-
97-16	Reporting	-
97-17	Eligibility	-
97-18	Records Retention	-
97-19	Eligibility	-
97-20	Allowable Costs/Cost Principles	99,978
97-21	Special Tests and Provisions	-
97-22	Subrecipient Monitoring	-
97-23	Equipment Management	-
97-34	Fund 101 - Special Revenue (Cash Management)	-
		<u>\$ 158,752</u>

GOVERNMENT OF GUAM

U.S. Department of Agriculture
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-01	10.551	In accordance with OMB Circular A-133 reporting requirements and CFR 277.11, quarterly reports (i.e., SF-269) are due on January 30, April 30, July 30 and October 30, and final reports are due on December 30.	\$ -

Condition:

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

Quarter	Date Due	Date Submitted	Days Late
1	01/30/97	2/11/97	12
3	07/30/97	8/01/97	2
4	10/30/97	11/20/97	21
Final	12/2 9/97	01/23/98	25

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.

Prior Year Status:

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

Recommendation:

The Food Stamp Program should strengthen internal control procedures to ensure that the SF-269 reports are submitted in a timely manner.

GOVERNMENT OF GUAM

U.S. Department of Agriculture
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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97-02	10.551	In accordance with the Common Rule, programmatic records, such as quality control review case files, should be maintained on file for at least three years.	\$ -
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Condition:

For six (or 12%) out of 48 quality control review cases (i.e., #30-49704, 83-43700, 80-50461, 83-34684, 83-36516, and 83-37683), the file could not be located by Program personnel.

Cause:

There appears to be weak internal controls over ensuring that programmatic records, such as quality control review case files, 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 record keeping controls to ensure that programmatic records, such as quality control review case files, are properly maintained on file in accordance with the Common Rule. Also, the Grantee should locate and provide to the auditors the quality control review case files to effect resolution of this finding.

Auditors' Response:

In the Grantee's response, the auditors are informed that the case files are available with the BMS administrator. The BMS administrator was contacted by the auditors but has not yet provided the requested case files.

GOVERNMENT OF GUAM

U.S. Department of Agriculture
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-03	10.551	<p>In accordance with the Corrective Action Plan Memo, dated October 31, 1994, effective November 1, 1994, the eligibility worker (EW) should access the Traffic Records Information System (TRIMS). Also, in accordance with the Food Stamp Manual, the EW should communicate with the Guam Department of Revenue and Taxation in order to determine whether the applicant has declared all real property owned.</p> <p><u>Condition:</u></p> <p>For three (or 6%) out of 48 quality control review cases (i.e., #87-12-10, 87-08-22, and 87-08-10), there is no documentation on file to indicate whether resources were verified through a TRIMS inquiry and/or correspondence with the Guam Department of Revenue and Taxation.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that the performance of a TRIMS inquiry and the verification of real property ownership are documented on file.</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 Program to be performing deficient quality control reviews.</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 quality control review procedures to ensure that the reviewer documents whether the EW performed the necessary TRIMS inquiry and verification of real property ownership.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Agriculture Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-04	10.553/ 10.555	The expenditures reported to the Federal Government on the Financial Status Reports should agree with the Reimbursement Claim.	\$ 34,387

Condition:

The FSR and the Reimbursement Claim for fiscal year 1997 differ as follows:

	<u>Per Reimbursement Claim</u>	<u>Per FSR</u>	<u>Over (Under) Lunch</u>
1st Quarter	\$ 749,263	\$ 803,348	\$(54,085)
2nd Quarter	\$ 862,702	\$ 862,702	\$ -
3rd Quarter	\$ 691,745	\$ 690,461	\$ 1,284
4th Quarter	\$ 454,622	\$ 421,017	\$ 33,605
	<u>\$2,758,332</u>	<u>\$2,777,528</u>	<u>\$(19,196)</u>
Breakfast			
1st Quarter	\$ 231,710	\$ 246,984	\$(15,274)
2nd Quarter	\$ 263,952	\$ 263,952	\$ -
3rd Quarter	\$ 237,998	\$ 237,915	\$ 83
4th Quarter	\$ 139,725	\$ 139,725	\$ -
	<u>\$ 873,385</u>	<u>\$ 888,576</u>	<u>\$(15,191)</u>
Total overreported			<u>\$(34,387)</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 \$34,387 has been overreported.

Recommendation:

The Grantee should establish and implement internal controls to ensure that the responsible person reconciles the Financial Status Reports and 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, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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97-05	10.557	In accordance with OMB Circular A-133 allowable costs/cost principles requirements,	\$ 11,015
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1. Total salaries used to calculate indirect costs reported in the FNS 227A Report (Addendum to WIC Program Annual Closeout Report - NSA Expenditures) should agree with total salaries recorded by the Government of Guam Department of Administration, Division of Accounts (DOA), in the Statement of Appropriations, Allotment, Outstanding Encumbrance and Expenditures report;
2. All financial records should be maintained on file to substantiate expenditures; and
3. Employee gross pay should be accurately calculated.

Condition:

1. Total salaries reported in the FNS 227A Report is \$715,430; however, DOA records only \$700,769.
2. For one (or 6%) out of 17 non-payroll items selected for testing, no check copy, invoice, receiving report, or payment request was on file to substantiate a payment to vendor number W7221504 on September 25, 1997, with check number 908701, totaling \$7,230.

For one (or 11%) out of 9 payroll items selected for testing, no labor cost distribution report was on file to substantiate expenditures under reference number LABOR1026, totaling \$1,218.56.

3. For 1 (or 2.9%) out of 34 transactions tested, gross pay was overstated, as follows:

<u>Pay Period Ended</u>	<u>Dept /Div</u>	<u>Employee #</u>	<u>Gross pay per DOA</u>	<u>Gross pay per D&T</u>	<u>Questioned Cost</u>
011897	1716	185444423	\$599.44	\$ 528.88	\$ 70.56

Cause:

1. There appears to be weak internal controls over ensuring that the total regular salaries recorded by DOA is used in the indirect cost calculation.

GOVERNMENT OF GUAM

U.S. Department of Agriculture Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Cause, Continued:</u>	<u>Questioned Costs</u>
97-05	10.557	2. There appears to be weak recordkeeping controls. Program personnel could not locate the requested check copy, invoice, receiving report, payment request, or labor cost distribution report.	\$ -
		3. There appears to be weak controls over ensuring that an employee's gross pay is accurately calculated.	

Effect:

A questioned cost of \$11,015 exists, as follows:

1. Total salaries:		Questioned Cost
Per 227A Report	\$ 715,430	
Per DOA	(700,769)	
Difference	14,661	
Indirect Cost Rate	X 17.02%	
Overstated Indirect Costs		\$ 2,495
2. Unsupported payroll costs		8,449
3. Overstated gross pay		<u>71</u>
		\$ <u>11,015</u>

Recommendation:

1. The Grantee should strengthen internal controls to ensure that the responsible personnel reconciles total salaries per the 227A Report and per DOA prior to calculating and reporting indirect costs charged to the Program.
2. 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. Also, the Grantee should locate and provide to the auditors the requested check copies, invoices, receiving reports, payment requests, and labor cost distribution report to effect resolution of this finding.
3. The Grantee should strengthen internal controls to ensure that the responsible personnel accurately calculates each employee's gross pay. Discrepancies should be immediately investigated and corrected.

Auditors' Response:

The Grantee subsequently provided journal vouchers and represented that such documents resolve the questioned costs. However, the auditors are unable to ascertain the manner in which the journal vouchers resolve the questioned costs.

GOVERNMENT OF GUAM

U.S. Department of Agriculture
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-06	10.557	<p>In accordance with OMB Circular A-133 special tests and provisions requirements, written guidance on procedures for following up on unreconciled food instruments (FI's) should exist.</p> <p><u>Condition:</u></p> <p>No written guidance for following up on unreconciled FI's exists.</p> <p><u>Cause:</u></p> <p>It appears that the Program has not had sufficient time to complete written guidance since the Guam WIC Application System was only recently implemented.</p> <p><u>Effect:</u></p> <p>Noncompliance with OMB Circular A-133 special tests and provisions requirements exists.</p> <p><u>Recommendation:</u></p> <p>The Grantee should complete its documentation of procedures for following up on unreconciled food instruments in accordance with OMB Circular A-133 special tests and provisions requirements</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Agriculture Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-07	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 three (7%) out of 45 case files tested (i.e., # 101228, 101426, and 101238), the signature of the competent professional authority was not apparent. Also, for one (or 2%) of the 45 files (i.e., # 300133), there was no medical referral form in the participant's file.</p> <p><u>Cause:</u></p> <p>There appears to be weak internal controls over ensuring that an applicant's Physician Referral Form is certified by a competent professional authority and that medical referral forms are properly documented in the participant's file.</p> <p><u>Effect:</u></p> <p>There is no known effect on the financial statements; 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. Furthermore, there is a potential for improper nutritional risk assessments and certification which could result in the Program not properly meeting the nutritional needs of applicants.</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 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.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Environmental Protection Agency Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-08	66.418	<p>In accordance with special conditions of the grant award, a quarterly progress report shall be submitted to U.S. EPA (Environmental Protection Agency).</p> <p><u>Condition:</u></p> <p>No quarterly progress reports were submitted in fiscal year 1997.</p> <p><u>Cause:</u></p> <p>The Grantee has not submitted the quarterly reports in prior years, and U.S. EPA has not enforced the reporting requirement.</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 grant award.</p> <p><u>Recommendation:</u></p> <p>The Grantee should obtain documentation from U.S. EPA, waiving the reporting requirement. If no written waiver is obtained, the responsible personnel should prepare the quarterly progress reports in accordance with the grant award.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Environmental Protection Agency Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-09	66.600	In accordance with OMB Circular A-133 allowable costs/cost principles, (1) only accurate invoice totals should be paid, and (2) such financial records as travel authorizations should be maintained on file for at least three years to substantiate expenditures.	\$ 13,372

Condition:

1. For 2 (or 11%) out of 18 transactions tested, a check was paid in the amount of a mathematically inaccurate invoice total, as follows:

<u>Check #</u>	<u>Invoice #</u>	<u>Amount per Invoice</u>	<u>Invoice Amount Recalculated by D&T</u>	<u>Overpayment</u>
882517	L029980	\$ 28,315	\$ 19,870	\$ 8,445
892112	27684LI	19,405	18,190	<u>1,215</u>
				<u>\$ 9,660</u>

2. For 1 (or 6%) out of 18 transactions tested, a total of \$3,711.94 was paid to vendor # T7056901 on September 19, 1997, with check # 904422 for travel expenses. However, there is no travel authorization or other document on file to indicate who traveled and for what purpose.

Cause:

There appears to be weak controls over ensuring that (1) only accurate invoice totals are paid and (2) such financial records as travel authorizations are maintained on file for at least three to substantiate expenditures.

Effect:

A questioned cost of \$13,372 exists, as follows:

Condition 1 - overpayment	\$ 9,660
Condition 2 - unsupported payment	<u>3,712</u>
	<u>\$ 13,372</u>

Recommendation:

The Grantee should strengthen controls to ensure that prior to preparing requests for payment, the responsible personnel (1) recalculates invoices and (2) reviews and documents travel authorizations, respectively.

GOVERNMENT OF GUAM

U.S. Department of Education Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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97-10	84.027	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.	\$ -
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Condition:

There are unexpended/unobligated fund balances from grants for fiscal years 1992 and 1995, whose periods of availability ended prior to the fiscal year ended September 30, 1997. The aggregate total of unexpended/unobligated balances is \$173,056, as follows:

<u>Account Number</u>	<u>End of Grant</u>	<u>Unexpended/ Unobligated Balance at FYE 9/30/97</u>
22.2.50.xx	1994	\$ 6,138.00
22.3.50.xx	1995	1,224.61
22.4.50.xx	1996	5,512.14
22.5.50.xx	1997	<u>160,181.62</u>
Total		\$ <u>173,056.37</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, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-11	84.027	In accordance 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 1996-1997," IEP Annual Review should occur on or before the annual date of the IEP.	\$ -

Condition:

For 12 (or 27%) out of 45 student 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>Months late</u>
1492	April 97	Oct 97	6
2257	May 97	Nov 97	6
1038	May 97	None	11
1416	September 97	None	7
1684	March 97	None	12
1696	February 97	None	13
2735	June 95*	None	34
2706	May 97	None	11
2734	February 97	None	13
3004	October 95*	None	30
3267	October 97*	None	6
3482	June 96*	None	22

*The IEP Review date is beyond the scope of the audit period; however, the auditors noted that the scheduled annual reviews on form SPF 6.3.3 within the student's file was not performed as of the testing date on March 24, 1998.

Cause:

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

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 providing services to students who would have otherwise been determined ineligible if the review were performed.

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 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, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-12	84.027	<p>In accordance with eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-1997," 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 4 (or 9%) out of 45 student files tested (i.e., #1884, 2215, 2965, and 3472), 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> <p><u>Auditors' Response:</u></p> <p>The Grantee disputes the condition for file #1884. However, the supporting parent notification form and case manager notes provided to the auditors are for file #1184. Therefore, the finding remains. The parent notification forms subsequently provided to the auditors support resolution of the condition for file #2965 and #3472.</p>	\$ -

GOVERNMENT OF GUAM

U.S. Department of Education Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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97-13	84.027	In accordance with OMB Circular A-133 special tests and provisions requirements and eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-1997," 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.	\$ -
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Condition:

For 8 (or 18%) out of 45 student files tested, (i.e., #1038, 1884, 2658, 2735, 2706, 2738, 3004, and 3482), no reevaluation was conducted.

Cause:

There appears to be weak internal controls over ensuring that student reevaluations are performed.

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 providing benefits to children who would have otherwise been determined ineligible if reevaluations were conducted.

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 strengthen controls to ensure that at the start of each month, the Consulting Resource Teacher (CRT) identifies the students due for reevaluation and initiates the reevaluation in accordance with OMB Circular A-133 special tests and provisions requirements.

Auditors' Response:

The Grantee's subsequent response to the auditors support resolution of the condition for file #2658.

GOVERNMENT OF GUAM

U.S. Department of Education Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-14	84.027	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) 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, 1997, and (2) a monthly child count update report. However, GCC provided neither the detailed fiscal and performance report for fiscal year 1997, nor the monthly child count update report for the months of April, May, and June 1997.

Cause:

There appears to be a lack of internal controls over subrecipient monitoring.

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 subrecipient monitoring requirements, and the subrecipient is in noncompliance with the subrecipient agreement. No costs are considered questioned because the Single Audit Reports for GCC do not report related questioned costs.

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 subrecipients are monitored in accordance with OMB Circular A-133 and are directed to correct noncompliance findings.

Auditors' Response:

In the Grantee's response, the condition is disputed and correspondence between DOE and GCC were provided to support monitoring efforts. However, the supporting correspondences provided to the auditors are dated in September 1998 and October 1998. Therefore, the condition remains a finding for fiscal year 1997.

GOVERNMENT OF GUAM

U.S. Department of Education Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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97-15	84.998	In accordance with OMB Circular A-133 period of availability of federal funds and Grant Award 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.	\$ -
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Condition:

(1) There are unexpended/unobligated fund balances for grants from fiscal years 1992 and 1993, whose periods of availability ended prior to the fiscal year ended September 30, 1997. The aggregate total of unexpended/unobligated balances is \$53,263, as follows:

ACCOUNT #	END OF GRANT PERIOD	UNOBLIGATED BALANCE AT 9/30/97
22.2.12.xx	1994	4,272.84
22.3.12.xx	1995	48,990.12
Total		53,262.96

(2) There are negative unexpended/unobligated fund balances for grants from fiscal years 1994 and 1995, whose periods of availability ended prior to the fiscal year ended September 30, 1997. The aggregate total of negative unexpended/unobligated balances is \$1,082,193, as follows:

ACCOUNT #	END OF GRANT PERIOD	UNOBLIGATED BALANCE AT 9/30/97
22.4.12.xx	1996	-345,300.68
22.5.12.xx	1997	-736,892.22
Total		-1,082,192.90

GOVERNMENT OF GUAM

U.S. Department of Education Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Cause:</u>	<u>Questioned Costs</u>
97-15	84.998	There appears to be a lack of internal control policies and procedures over ensuring the following: 1) Funds are expended in a timely manner and that unexpended balances are deappropriated/deencumbered after the funds' periods of availability. 2) Encumbrances do not exceed available funds. <u>Prior Year Status:</u> The above condition is reiterative of conditions identified in our prior years' audits of the Government of Guam. <u>Effect:</u> There is no known effect on the financial statements as a result of this condition; however, there is a potential for future grant award amounts to be decreased. <u>Recommendation:</u> The grantee should establish and implement internal control policies and procedures to ensure that an employee is designated the responsibility of reviewing grant transactions at the end of each fund's period of availability, accounting for unobligated balances, and deappropriating/deencumbering such expired balances. Furthermore, before encumbrances are carried over into the next period, the responsible personnel should ensure that appropriations/allotment balances are sufficient.	\$ -

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-16	93.560	Quarterly Financial Cash Transaction Reports (PMS272) should be submitted by the due date (i.e., 30 days after the first, second, and third quarters, and 90 days after the fourth quarter).	\$ -

Condition:

The reports were submitted from 16 to 27 days after the due dates, as follows:

QUARTER	DUE DATE	DATE SUBMITTED	DAYS LATE
1	01/30/97	02/26/97	27
2	04/30/97	05/16/97	16
3	07/30/97	08/18/97	18

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 cognizant federal agencies in a timely manner.

Effect:

The condition may result in delays in the reimbursement of funds.

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 distribute such to all responsible individuals. The status of reports should be reviewed by 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, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-17	93.560/ 93.778	<p>The eligibility worker (EW) should review and sign the "Review of Eligibility to Continue Assistance" form to indicate that the applicant is eligible to receive benefits.</p> <p><u>Condition:</u></p> <p>For 7 (or 12%), out of 58 cases tested (i.e., for case # 336013403, 304485901, 3029857, 304445801, 304445801, 503898301, and 102558701), it appears that the EW did not sign the "Review of Eligibility to Continue Assistance" form.</p> <p><u>Cause:</u></p> <p>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.</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 Program to be providing benefits to ineligible applicants.</p> <p><u>Recommendation:</u></p> <p>The Grantee should establish and implement internal control policies and procedures to ensure that eligibility workers review and sign the "Review of Eligibility to Continue Assistance" form. Case files that do not contain an approved "Review of Eligibility to Continue Assistance" form should not be processed.</p>	

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-18	93.560/ 93.778	In accordance with the Common Rule, all programmatic documents, such as the Public Assistance Worksheet, should be maintained on file for at least three years.	\$ -

Condition:

Out of 58 case files tested, we noted the following:

1. For 1 (or 2%), no Public Assistance Worksheet was on file for case # 304485901.
2. For 1 (or 2%), no "Review of Eligibility to Continue Assistance" form was on file for case # 305019205.
3. For 12 (or 21%), the case files were not provided for the following case numbers:

1. 100214201	5. 301806206	9. 304559401
2. 101672201	6. 303611102	10. 304684502
3. 102183101	7. 303930103	11. 304972202
4. 104263101	8. 304519401	12. 981209403

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 is in noncompliance with the Common Rule.

Recommendation:

The Grantee should strengthen recordkeeping controls to ensure compliance with the Common Rule records retention requirement.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Item No.	CFDA No.	Criteria:	Questioned Costs
97-19	93.560/ 93.778	In accordance with OMB Circular A-133 eligibility requirements and the Medicaid State Plan, eligibility workers should verify resources based on a review of the real property listing and verification obtained from the Department of Motor Vehicles section of the Department of Revenue and Taxation.	\$ -

Condition:

For 28 (or 48%) out of 58 cases tested, there was no evidence on file to indicate whether the EW verified resources by corresponding with the Guam Department of Revenue and Taxation. The 28 case files reviewed are as follows:

1. 3021302	11. 304869804	21. 304827903
2. 104629301	12. 305026601	22. 302649201
3. 336013403	13. 304761303	23. 302649201
4. 304163201	14. 503898301	24. 304190601
5. 104010501	15. 102558701	25. 104241901
6. 304445801	16. 3027802	26. 304057202
7. 304214808	17. 304647002	27. 304043501
8. 304214808	18. 304967703	28. 304171502
9. 3060590	19. 3049379	
10. 304943903	20. 304506204	

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that the eligibility worker conducts and documents resource verifications.

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 providing benefits to participants who would have otherwise been determined ineligible if the proper resource verifications were conducted.

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 control policies and procedures to ensure that the eligibility worker conducts and documents resource verifications. The eligibility supervisor should review the eligibility determinations of the eligibility worker. If the resource verification is not documented on file, the eligibility supervisor should not approve the file for further processing.

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-20	93.778	<p>In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as check copies, payment requests, invoices, and receiving reports, should be maintained on file to substantiate expenditures.</p> <p><u>Condition:</u></p> <p>For one (or 1%) out of 68 items, no check copies, payment requests, invoices, receiving reports, or other supporting documents were on file to substantiate a payment of \$99,977.50 to vendor number G0742101 on May 31, 1997, with check number 894879.</p> <p><u>Cause:</u></p> <p>Program personnel could not locate the requested check copies, payment requests, invoices, receiving reports, or other supporting documents to substantiate the expenditure. There appears to be weak internal controls over ensuring that documents are maintained in accordance with OMB Circular A-133 and the Common Rule.</p> <p><u>Effect:</u></p> <p>A questioned cost of \$99,978 exists.</p> <p><u>Recommendation:</u></p> <p>The Grantee should strengthen recordkeeping controls to ensure compliance with OMB Circular A-133 and the Common Rule. Also, the Grantee should locate and provide to the auditors the check copies, payment requests, invoices, receiving reports, and other supporting documents to effect resolution of this audit finding.</p> <p><u>Auditors' Response:</u></p> <p>The Grantee subsequently provided a copy of a payment report and represented that the document resolves the questioned cost. However, the auditors are unable to ascertain the manner in which the payment report resolves the questioned costs.</p>	\$ 99,978

GOVERNMENT OF GUAM

U.S. Department of Health and Human Services Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
97-21	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. The State agency shall maintain reports on its 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>The cause of this condition is unknown.</p> <p><u>Effect:</u></p> <p>The Grantee is in noncompliance with OMB Circular A-133.</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 reviews 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, 1997

Monitoring of Subrecipients

Item No. CFDA No. Criteria:

97-22 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 set forth 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 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, 1997

Equipment Management

Item No. CFDA No. Criteria:

97-23	All	In accordance with § 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies who 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.
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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 part of the Government's fixed asset management system.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Cash - General Fund

Item No. CFDA No. Criteria:

97-24 All Bank account reconciling items should be investigated and corrected.

Condition:

A reconciling item, which totals \$269,944, was noted as a duplicate recording in the Income Tax Refund bank reconciliation.

Cause:

The information cartridge received from the Department of Revenue & Taxation was erroneously inserted into the system twice, which resulted in amounts being deducted twice from the account.

Effect:

This condition may result in the misstatement of cash balances.

Recommendation:

After the Department of Revenue and Taxation information cartridge has been inserted into the system, the responsible personnel should physically mark the cartridge to ensure that it will not be inserted again.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Taxes Receivable

Item No. CFDA No. Criteria:

97-25 All 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 comply with this requirement, 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.

Effect:

The allowance for doubtful tax receivable account could be misstated.

Recommendation:

DRT should establish a methodology for providing sufficient data to support the computation of the reserve for uncollectible taxes.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Taxes Receivable

Item No. CFDA No. Criteria:

97-26 All Balances recorded in general ledger control accounts at the Department of Administration (DOA) should agree with balances reported in detailed subsidiary schedules at line agencies.

Condition:

Differing balances of taxes receivable for various fiscal years are recorded in the general ledger at DOA and in detailed schedules at the Department of Revenue and Taxation. The differences aggregated some \$13.3 million. An adjustment was proposed during the audit process to reconcile the respective records.

Cause:

The cause of this condition is unknown.

Effect:

Tax receivable balances in the general ledger were previously misstated by approximately \$13.3 million.

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, 1997

Other Accounts Receivable - General Fund

Item No. CFDA No. Criteria:

97-27 All Analyses and reconciliations of account balances should be performed on a regular basis.

Condition:

- 1) Accounts receivable with negative balances total \$145,537.
- 2) Accounts receivable from Guam Telephone Authority, Port Authority of Guam, and Guam International Airport Authority have not been reconciled as of September 30, 1997.
- 3) Accounts Receivable - Bad Checks, which is maintained by the Department of Revenue and Taxation has not been reconciled with Division of Accounts records as of September 30, 1997.

Cause:

- 1) The Division of Accounts receives payment from departments to be applied against specific receivables. However, no accounts receivable balances were previously recorded.
- 2) Receivables from Guam Telephone Authority, Port Authority of Guam, and Guam International Airport Authority have not been reconciled due to discrepancies in fuel charges relating to prior year charges.
- 3) The Department of Revenue and Taxation is responsible for reconciling Accounts Receivable - Bad Checks due to the confidentiality of taxpayer records.

Effect:

This condition may cause accounts receivable to be misstated.

Recommendation:

- 1) An individual should be assigned to monitor and reconcile negative accounts receivable balances. Procedures should be devised and implemented to prevent receipts from being applied to non-existing accounts receivable balances.
- 2) Individuals from the Division of Accounts and the appropriate agency should be assigned to reconcile accounts on a regular basis.
- 3) The Division of Accounts and the Department of Revenue and Taxation should monitor and reconcile Account Receivable - Bad Checks on a periodic basis.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Other Accounts Receivable - General Fund

Item No. CFDA No. Criteria:

97-28 All Prescribed accounts receivable collection policies should be enforced:

- 1) Writers of bad checks to the Government of Guam (GovGuam) are first given written notice.
- 2) If the person is a GovGuam employee, the amount is garnished from wages.
- 3) Tax refunds are held by GovGuam until the receivable is cleared at the Division of Accounts.
- 4) For travel advances, employee paychecks are held until the receivable is cleared.

Condition:

- 1) Accounts Receivable - Bad Checks include several balances outstanding for more than three years.
- 2) Travel advance receivables older than 120 days constitute 50%, or \$224,603, of the total balance of \$443,442.
- 3) Total prior year receivables constitute 74% (\$2.2 million) of the outstanding balance.

Cause:

- 1) Collection of bad checks is represented as being the responsibility of the Department of Revenue and Taxation due to the confidentiality of taxpayer records.
- 2) Collection policies do not appear to be strictly enforced.

Effect:

Accounts receivable may be misstated.

Recommendation:

Collection procedures should be strictly enforced.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Other Accounts Receivable - General Fund

Item No. CFDA No. Criteria:

97-29 All Reconciliations between the Division of Accounts (DOA) and the respective agencies' receivable/payable balances should be performed on a regular basis.

Condition:

Variances exist between balances per the DOA accounts receivable subledger and confirmations from various agencies:

<u>Agency</u>	<u>DOA Balance</u>	<u>Confirmed Balance</u>	<u>Difference</u>
Guam Telephone Authority	\$ 433,744	\$ 181,333	\$ 252,411
Port Authority of Guam	\$ 172,617	\$ 108,000	\$ 64,617
Guam International Airport Authority	\$ 194,136	\$ 179,464	\$ 14,672
University of Guam	\$ 691,021	\$ -	\$ 691,021

Cause:

- 1) Reconciliations are not being performed by DOA and the respective agencies on a regular basis.
- 2) Amounts for transfers from GOB 93 were inadvertently included in receivables from the University of Guam.

Effect:

Accounts receivable balances may be misstated.

Recommendation:

- 1) Accounts should be reconciled by both DOA and the agencies on a periodic basis.
- 2) A provision should be recorded for those differences that are determined to be less than collectible.
- 3) Amounts included in receivables should be carefully monitored to ensure that only accurate transactions are recorded.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Other Accounts Receivable - General Fund

Item No. CFDA No. Criteria:

97-30 All Accounts Receivable - Bad Checks should be monitored and reconciled on a regular basis.

Condition:

Reconciliations between the Division of Accounts (DOA) and the Department of Revenue and Taxation (DRT) have not been performed as of September 30, 1997.

	<u>Per DOA</u>	<u>Per DRT</u>	<u>Difference</u>
Accounts Receivable - Bad Checks	\$ 105,022	\$ 2,559,750	\$ 2,454,728
Accounts Receivable - Bad Checks	\$ 439,355	\$ 226,099	\$ 213,256

Cause:

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

Effect:

Accounts Receivable - Bad Checks may be misstated.

Recommendation:

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

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997**

Other Accounts Payable and Other Payables - General Fund

Item No. CFDA No. Criteria:

97-31 All Accounts Payable - Contract Retention should be periodically reviewed and monitored to verify the validity of the account balance.

Condition:

- 1) Authoritative documents, such as contracts, could not be provided to support amounts that have been outstanding since prior to September 30, 1993. These amounts total \$525,535.
- 2) A debit balance of approximately \$125,000 is recorded.

Cause:

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

Effect:

Accounts Payable - Contract Retention may be misstated.

Prior Year Status:

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

Recommendation:

Periodic reconciliations 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, 1997

Other Accounts Payable and Other Liabilities - General Fund

Item No. CFDA No. Criteria:

97-32 All 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 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

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Outstanding Encumbrances

Item No. CFDA No. Criteria:

97-33 All Encumbrances should be reviewed on a periodic basis, and communication should occur with responsible departments to ascertain whether outstanding encumbrances with prolonged periods of inactivity should be liquidated.

Condition:

Out of eleven dated encumbrances tested, four are identified with prolonged periods of inactivity:

<u>Encumbrance Number</u>	<u>Encumbrance Date</u>	<u>Outstanding Balance</u>
W940200005	03/31/94	\$ 12,463,744
C20660479	09/23/92	154,333
C30660544	09/30/93	509,373
M961700007	08/02/96	175,000

Cause:

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

Effect:

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

Prior Year Status:

The above condition for encumbrance number C30660544 is reiterative of a condition identified in the prior year audit of the Government of Guam.

Recommendation:

The Department of Administration's Division of Accounts (DOA) should review the outstanding encumbrance report on a quarterly basis to ensure that encumbrances are properly stated. 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. A mechanism should be considered to allow for cancellation of encumbrances that no longer meet current priorities. For example, W940200005 relates to earthquake repairs. It is difficult to assess the reason for the continued existence of this encumbrance.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Fund 101 - Special Revenue

Item No. CFDA No. Criteria:

97-34 All The time elapsed between the transfer of funds from the grantor and the disbursement of funds by the grantee must be minimized.

Condition:

Advance deposits of \$2,345,201 for federal grants received in fiscal years 1989 through 1997 have not yet been expended.

Fund 101

Advance Deposit Balance

FGIA Adv. DPW	\$ 319,891
FGIA Adv. Correction	74,197
FGIA Adv. Commerce	34,083
FGIA Adv. Agriculture	65,524
FGIA Adv. Library	30,466
FGIA Adv. DYA	35,746
FGIA Adv. GEPA	2,841
FGIA Adv. DMHSA	837
FGIA Adv. DPR	184,044
FGIA Adv. VocRehab	32,534
FGIA Adv. CD	323
FGIA Adv. Mayor's Council	338,464
FGIA Adv. National Guard	13,686
FGIA Adv. Guam Fire Department	64,186
FGIA Adv. Non-Profit Organization	16,035
FGIA Adv. Autonomous Agencies	7,562
FGIA Adv. DOA	<u>1,124,782</u>
Total	\$ <u>2,345,201</u>

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:

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

Recommendation:

The grantee 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, 1997

Fund 101 - Special Revenue

Item No. CFDA No. Criteria:

97-35 All The reserve for uncollectible accounts receivable should be reviewed and monitored on a periodic basis.

Condition:

During fiscal year 1997, management did not examine accounts receivable for possible uncollectible accounts from federal agencies. Therefore, no change in the recorded reserve for uncollectibles was considered.

Cause:

There appears to be a lack of internal control policies and procedures over ensuring that potentially uncollectible accounts are properly determined and recorded.

Effect:

Accounts receivable may be misstated.

Recommendation:

Management should establish a formal method of determining a reserve for uncollectibles.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Continuing Appropriations - Special Revenue

Item No. CFDA No. Criteria:

97-36 All 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	\$ 197,419
Fund 214	DOC Inmates Revolving	\$ 164,453
Fund 221	Printing Revolving	\$ 94,872
Fund 222	Land Survey Revolving	\$ 235,000
Fund 225	Recreation Revolving	\$ 237,355
Fund 229	General Services Agency	\$ 118,240
Fund 232	Manpower Development	\$ 99,741
Fund 234	Housing Corporation Revolving	\$ 142,500
Fund 305	Council of Arts & Humanities Off-Island Education, Training & Cultural Enhancement	\$ 121,150

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.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997**

Manpower Development Fund - Deposits and Other Liabilities

Item No. CFDA No. Criteria:

97-37 All Deposit accounts should be supported by subledgers and reconciled in a timely manner.

Condition:

Deposit - Wages Bonds and FEMA P/A Auono Age (Repatriation Guarantee Bonds) were not maintained in a subledger. As a result, the account balance of \$184,294 could not be substantiated.

Cause:

The cause of this condition is unknown.

Effect:

Deposits and other liabilities may be misstated.

Recommendation:

Subledgers supporting general ledger balances should be maintained.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Manpower Development Fund - Revenues allocated to Guam Community College

Item No. CFDA No. Criteria:

97-38 All The public law should clearly define the time and manner for the transfer of funds to Guam Community College (GCC). Additionally, the public law should address the treatment of revenues earned from the investment of funds.

Condition:

The public law is silent as to the time frame in which transfer of funds from the Manpower Development Fund to Guam Community College should occur. Additionally, the public law is silent as to the treatment of revenues earned from the investment of these funds; thus the Division of Accounts has taken the stance of transferring interest earned on these funds to the General Fund.

Cause:

The cause of this condition is unknown.

Effect:

Cash may be understated by interest earned and transferred to the General Fund.

Recommendation:

We recommend the Division of Accounts request clarification from the Legislature relative to the treatment of income earned from the investment of Manpower Development revenues and the time and manner in which the transfer of funds to GCC should occur.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Safe Streets Fund - Cash Account

Item No. CFDA No. Criteria:

97-39 All Public Law 22-41 created the Safe Streets Fund and stipulates that it "...shall be maintained separate and apart from the other funds of the Superior Court. The fund shall be held in an interest bearing account. All interest shall remain in the Fund."

Condition:

The Fund does not have a separate account that bears interest. Any interest earned on revenues generated by the Fund is not credited to the Fund.

Cause:

The cause of this condition is unknown.

Effect:

The cash (asset) accounts of the Safe Streets Fund may be understated. Likewise, revenues are understated by the interest which could be earned on cash balances.

Recommendation:

We recommend that the Director of the Department of Administration comply with the provisions of PL 22-41 and set up a separate cash account for the Safe Streets Fund. If establishing a separate account is inefficient, then a request should be made of the Legislature to amend the law and remove the above provision.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Fund 351 - Land Acquisition - Commitment of Funds

Item No. CFDA No. Criteria:

97-40 All The Fund should be funded as dictated by 21 GCA Section 60612, which states that the fund be "...appropriated the sum of not to exceed five hundred thousand dollars as initial capital...which shall be replenished by annual appropriations by the Legislature".

Condition:

The Fund has recorded continuing appropriations of only \$36,148 as of September 30, 1997.

Cause:

The cause of this condition is unknown.

Effect:

Appropriations are not being made to the Fund as required by 21 GCA Section 60612.

Recommendation:

We recommend that efforts be undertaken to ensure that the above funding requirements are met.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Continuing Appropriations - Special Revenue

Item No. CFDA No. Criteria:

97-41 All According to an Attorney General's opinion, the public laws which created the following funds imply a continuing appropriation. Therefore, no balances in the unreserved fund account should exist for the following:

- Veterans Bonus Fund
- Land for the Landless Fund
- Guam Museum Fund
- Guam Drivers' Education Fund
- Farmers' Small Loan Revolving Fund
- Public Transit Fund

Condition:

The above funds all have balances in the unreserved fund account.

Cause:

The cause of this condition is unknown.

Effect:

Continuing appropriations may be understated.

Recommendation:

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Special Revenue Funds

Item No. CFDA No. Criteria:

97-42 All Funds with no activity and no fund balance should be reviewed for possible repeal.

Condition:

The following funds have no activities and/or no fund balances:

No Activity

- Summer School
- Vocational Rehabilitation Revolving
- Coastal Zone Management
- Guam Beautification
- Municipal Litter Defacement
- District Improvement
- Public Transit
- Deficit Elimination
- Land Acquisition
- Rainy Day

No Fund Balance

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

Cause:

The cause of this condition is unknown.

Effect:

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

Recommendation:

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

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Continuing Appropriations of Federal Funds - Special Revenue

Item No. CFDA No. Criteria:

97-43 All 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, are not 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 have the following balances in continuing appropriations:

Fund 103		
Stripper Well fuel Overcharge	\$	377,458
Fund 104		
Exxon Fuel Overcharge	\$	664,582
Fund 106		
D.O.D. Contract	\$	21,291,123

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.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Fixed Assets - Superior Court of Guam

Item No. CFDA No. Criteria:

97-44 All Fixed assets recorded in the financial statements should be substantiated by a detailed fixed asset listing.

Condition:

The Superior Court does not maintain a comprehensive listing of fixed assets.

Cause:

The cause of this condition is unknown.

Effect:

Fixed assets in the financial statements cannot be substantiated.

Recommendation:

An inventory of fixed assets should be performed and reconciled to a listing of all fixed assets purchased by the Court.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Internal Service - Fund 314

Item No. CFDA No. Criteria:

97-45 All General ledger inventory accounts should be reconciled with the physical inventory count sheets on a regular basis.

Condition:

The September 30, 1997, Fund 314 Donable Property account was not reconciled to the physical inventory count.

Cause:

The Division of Accounts (DOA) did not perform the reconciliation because the physical inventory count sheets were not received prior to the year-end closing.

Effect:

The Donable Property account is understated by \$1,479,719.

Recommendation:

Controls should be established to ensure that DOA promptly receives the documents necessary to perform the inventory reconciliation.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

GWA - Payroll

Item No. CFDA No. Criteria:

97-46 All Guam Waterworks Authority maintains a policy that overtime be held to a minimum and incurred only in cases of emergency, or when deemed necessary by a supervisor.

Condition:

For one out of 19 transactions tested, overtime worked appeared to be excessive (i.e. 44 continuous hours of overtime was worked within a 48 hour period during the pay period dated 4/26/97).

Cause:

Emergencies resulting from Typhoon Isa on April 17, 1997, was the stated cause of the excessive overtime.

Effect:

Payroll expense may be overstated as a result of excessive overtime worked.

Recommendation:

Supervisors and upper management should closely monitor the amount of overtime worked during emergencies to ensure that the overtime reported on each timesheet is plausible.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Travel

Item No. CFDA No. Criteria:

97-47 All The Government of Guam's travel and transportation manual, section 1712, requires that travel vouchers and supporting travel documents be submitted 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:

Out of twenty travel packages tested, the following did not clear within the required 15-day period:

1997

<u>TA #</u>	<u>Date Returned</u>	<u>Amount</u>	<u>Date Cleared</u>
T976P0425	6/02/97	\$ 968.75	x
T976P0414	5/21/97	\$ 600.00	7/23/98
T976P0014	10/26/97	\$ 4,770.00	1/14/98
T976P0005	10/22/96	\$ 750.00	2/04/97
T976P0222	3/07/97	\$ 875.00	4/08/97
T976P0761	3/20/97	\$ 2,050.00	x

x = outstanding as of the report date

Cause:

The cause of this condition is unknown.

Effect:

There is no known material effect on the financial statements as a result of this condition. However, noncompliance with the criteria exists.

Recommendation:

The Department of Administration should ensure enforcement of the provisions of the travel and transportation manual.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Child Support Liability

Item No. CFDA No. Criteria:

97-48 All Timely and effective reconciliation procedures should be performed for child support payments and collections. A detail/subsidiary should be maintained to properly monitor the transactions.

Condition:

There is no detail of the child support payments and collections to support the child support liability balance recorded at the Department of Administration. Prior year liability balances totaling \$1,822,840 originating from fiscal year September 30, 1991 still exist on the books. The liability balance at September 30, 1997 is \$2,528,693.

Cause:

The cause of this condition is unknown.

Effect:

The child support liability account may be misstated.

Prior Year Status:

This condition was reported in the year ended September 30, 1996.

Recommendation:

Reconciliation of the two systems (APASI and AS400) should occur to ensure that only legitimate recipients are receiving collections. Additionally, efforts should be made to prepare a detailed listing of the prior year balance of \$1.8 million in order to determine the status of such payments and to clear the balances.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1997

Continuing Appropriations

Item No. CFDA No. Criteria:

97-49 All 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 back to the funds from which appropriated and a report detailing the revision should be submitted to the Committee on Ways and Means.

Condition:

During our investigation of capital outlay appropriations, we noted that procedures as stated in the criteria were not performed for fiscal year 1997. Some \$25,116,140 of capital improvement projects continuing appropriations did not appear to meet the requirements set forth in Public Law 23-45, and appear to require revision.

<u>Fund Number</u>	<u>Total</u>
224	\$ 19,203,195
251	3,945,583
252	1,331,915
401	<u>635,447</u>
Total	\$ <u>25,116,140</u>

Cause:

The cause of this condition is unknown.

Effect:

The effect of this condition is that continuing appropriations may be overstated and unreserved fund balances may be understated.

Recommendation:

The Department of Administration should ensure enforcement of Public Law 23-45.

Total Questioned Costs \$ 158,752

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, 1997

Report Title/Assignment No.	Issue <u>Date</u>	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	-
Total Questioned Costs per Office of the Inspector General					\$ <u>-</u>

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 1997

	Prior Year Listed Unresolved Questioned Costs	Questioned Costs Resolved During the Year	End of Year
Unresolved Questioned Costs FY 84	\$ 593,153	\$ 593,153	\$ -
Unresolved Questioned Costs FY 85	25,893	25,893	-
Unresolved Questioned Costs FY 86	28,206	28,206	-
Unresolved Questioned Costs FY 87	1,876,756	1,876,756	-
Unresolved Questioned Costs FY 88	240,643	240,643	-
Unresolved Questioned Costs FY 89	1,959,378	1,899,620	59,758
Unresolved Questioned Costs FY 90	3,460,210	3,238,158	222,052
Unresolved Questioned Costs FY 91	834,135	767,795	66,340
Unresolved Questioned Costs FY 92	3,484,447	3,312,805	171,642
Unresolved Questioned Costs FY 93	454,865	386,125	68,740
Unresolved Questioned Costs FY 94	668,635	664,229	4,406
Unresolved Questioned Costs FY 95	548,241	535,834	12,407
Unresolved Questioned Costs FY 96	<u>53,864</u>	<u>46,477</u>	<u>7,387</u>
	\$ <u>14,228,426</u>	\$ <u>13,615,694</u>	612,732
Add Questioned Costs for FY 97			<u>158,752</u>
Total Unresolved Questioned Costs at September 30, 1997			\$ <u>771,484</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, 1997

CFDA #	Finding #	Questioned Cost	Responding Office	Comments
All	84-All	\$ 593,153		OMB A-133, Section .315(b)(4)
All	85-All	\$ 25,893		OMB A-133, Section .315(b)(4)
13.808	86-23	15,920		OMB A-133, Section .315(b)(4)
20.205	86-37	54,169	USDOT, 10/22/98	Dept. has no open single audit findings
20.205	86-38	72,371	USDOT, 10/22/98	Dept. has no open single audit findings
20.205	86-40	20,475	USDOT, 10/22/98	Dept. has no open single audit findings
84.151	86-43	129,383	USDOE, 03/30/98	Costs are not considered questioned or unallowable
84.151	86-46	11,000	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 303,318</u>		
10.551	87-28	\$ 156,862	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.555	87-29	738,303	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.555	87-34	64,949	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
13.714	87-15	12,054	Region IX, 10/19/98	Not listed as an outstanding finding
13.714	87-18	36,812	Guam DPHSS, 10/26/98	No longer included as open/outstanding citation
13.808	87-07	39,799		OMB A-133, Section .315(b)(4)
15.875	87-67	807,613		OMB A-133, Section .315(b)(4)
17.250	87-62	13,821		OMB A-133, Section .315(b)(4)
17.250	87-63	19,110		OMB A-133, Section .315(b)(4)
17.250	87-64	20,585		OMB A-133, Section .315(b)(4)
20.205	87-56	16,602	USDOT, 10/22/98	Dept. has no open single audit findings
45.007	87-68	41,772	OIG-Nat'l Endowment	All prior year findings have been resolved
84.151	87-40	46,000	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	87-45	285,608	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	87-49	26,882	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 2,326,772</u>		
10.551	88-27	\$ 189,716	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
13.714	88-16	60,723	Guam DPHSS, 10/26/98	No longer included as open/outstanding citation
13.714	88-19	157,551	Guam DPHSS, 10/26/98	No longer included as open/outstanding citation
13.780	88-06	52,730	Guam DPHSS, 10/26/98	No longer included as open/outstanding citation
15.875	88-66	494,774		OMB A-133, Section .315(b)(4)
17.250	88-48	118,202		OMB A-133, Section .315(b)(4)
17.250	88-53	90,487		OMB A-133, Section .315(b)(4)
20.205	88-71	26,855	USDOT, 10/22/98	Dept. has no open single audit findings
84.151	88-38	24,962	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	88-46	219,199	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 1,435,199</u>		
10.557	89-32	\$ 98,612	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
12.110	89-139	974,472	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
13.667	89-90	26,956		OMB A-133, Section .315(b)(4)
13.667	89-91	17,776		OMB A-133, Section .315(b)(4)
13.714	89-119	190,494	Guam DPHSS, 10/26/98	Already addressed in OIG Clearance Report, 12/20/93. Refund to
13.780	89-103	29,988		OMB A-133, Section .315(b)(4)
13.780	89-105	15,465		OMB A-133, Section .315(b)(4)
15.875	89-140	437,472		OMB A-133, Section .315(b)(4)
17.250	89-68	10,924	USDOL, 01/11/94	Costs of \$10,924 are allowable
17.250	89-86	41,127	USDOL, 01/30/95	Costs are disallowed
84.151	89-38	40,505	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	89-40	15,829	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 1,899,620</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, 1997

CFDA #	Finding #	Questioned Cost	Responding Office	Comments
10.557	90-92	\$ 101,695	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.557	90-93	57,158	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
12.110	90-94	30,218	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	90-95	224,370	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	90-96	148,440	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	90-97	1,479,804	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	90-98	136,663	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
17.250	90-26	10,503	USDOL, 01/30/95	Costs are disallowed
17.250	90-28	15,645	USDOL, 01/30/95	Costs are disallowed
17.250	90-29	19,461	USDOL, 01/30/95	Costs are disallowed
17.250	90-31	27,520	USDOL, 01/30/95	Costs are disallowed
17.250	90-36	92,952	USDOL, 01/30/95	Costs are disallowed
17.250	90-40	149,809	USDOL, 01/30/95	Costs are disallowed
66.418	90-102	139,541	Guam GEPA, 10/21/98	
66.418	90-110	37,000	Guam GEPA, 10/21/98	
66.418	90-120	33,621	Guam GEPA, 10/21/98	
66.418	90-128	62,588	Guam GEPA, 10/21/98	
66.418	90-130	90,000	Guam GEPA, 10/21/98	
84.027	90-05	35,464	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	90-07	200,000	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.126	90-15	16,472	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	90-17	88,290	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.151	90-25	40,944	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 3,238,158</u>		
10.557	91-43	\$ 150,114	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
12.110	91-78	195,719	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
83.516	91-107	99,968	FEMA-OIG, 10/08/97	It appears there are no outstanding audit issues
83.516	91-98	26,396	FEMA-OIG, 10/08/97	It appears there are no outstanding audit issues
84.027	91-118	29,621	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	91-127	98,055	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	91-129	167,922	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
		<u>\$ 767,795</u>		
10.551	92-21	\$ 100,166	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-22	50,568	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-23	262,699	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	92-24	15,000	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
12.110	92-28	154,346	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	92-29	106,460	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	92-30	791,947	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	92-31	160,969	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
12.110	92-32	13,729	US Navy, 12/04/93	DOD funds are not subject to OMB A-128
20.205	92-38	427,050	USDOT, 10/22/98	Dept. has no open single audit findings
83.516	92-47	74,298	FEMA-OIG, 10/08/97	It appears there are no outstanding audit issues
83.516	92-54	192,966	FEMA-OIG, 10/08/97	It appears there are no outstanding audit issues
84.027	92-59	182,434	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-66	27,370	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-76	252,505	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.027	92-77	13,840	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	92-80	89,511	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	92-82	11,545	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
84.998	92-83	145,421	USDOE, 03/30/98	Costs questioned prior to FY 1993 audits are barred from collection
93.663	92-95	211,320		OMB A-133, Section .315(b)(4)
93.778	92-101	28,661	HCFA, 01/14/94	HCFA disagrees with the auditors. Finding is closed.
		<u>\$ 3,312,805</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, 1997

CFDA #	Finding #	Questioned Cost	Responding Office	Comments
10.551	93-12	\$ 107	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved Expenditures are allowable
84.998	93-37	3,548	USDOE, 03/30/98	
93.044	93-44	99,101	Guam DPHSS, 10/26/98	
93.044	93-45	283,369	Guam DPHSS, 10/26/98	
		<u>\$ 386,125</u>		
10.551	94-05	\$ 460	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved Expenditures are allowable
10.551	94-06	222	USDA-OIG, 10/09/98	
10.551	94-11	847	USDA-OIG, 10/09/98	
10.551	94-14	1,459	USDA-OIG, 10/09/98	
10.557	94-24	8	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved Expenditures are allowable
84.027	94-29	5,505	USDOE, 03/30/98	
84.027	94-34	4,122	USDOE, 03/30/98	
84.998	94-39	24,709	USDOE, 03/30/98	
84.998	94-42	346,075	USDOE, 03/30/98	Expenditures are allowable
93.044	94-44	238,421	Guam DPHSS, 10/26/98	
93.044	94-45	41,990	Guam DPHSS, 10/26/98	
93.560	94-48	411	Guam DPHSS, 10/26/98	
		<u>\$ 664,229</u>		
10.551	95-05	\$ 490	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	95-10	8,614	USDA-OIG, 10/09/98	
10.557	95-19	14	USDA-OIG, 10/09/98	
10.557	95-28	213,452	USDA-OIG, 10/09/98	
10.557	95-28	-	USDA-FNS, 06/10/97	No Q.C.
84.027	95-36	14,000	USDOE, 03/30/98	
93.044	95-53	299,264	Guam DPHSS, 10/26/98	
		<u>\$ 535,834</u>		
10.551	96-07	\$ 966	USDA-OIG, 10/09/98	All Single Audit Reports as of 9/30/96 have been resolved
10.551	96-09	3,277	USDA-OIG, 10/09/98	
93.044	96-46	42,234	Guam DPHSS, 10/26/98	
		<u>\$ 46,477</u>		

OCT 28 1998

Ms. Mizpah Wiegand
Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96911

Dear Ms. Wiegand:

Hafa Adai! Enclosed herein are the collective responses of the Preliminary FY 1997 Audit Findings for the Food Stamp Program, Public Assistance Program, and Medicaid Program, respectively.

If you have any questions, please contact Ms. Diana Calvo, Acting Chief Administrator for the Division of Public Welfare, at 735-7274.

Si Yuus Maase.

Sincerely,



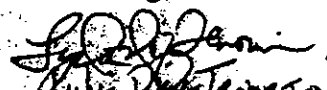
DENNIS G. RODRIGUEZ
Director

Enclosures

- This document is submitted as a copy of the original document that is inadvertently lost at this time. Picked up by Mizpah of Deloitte & Touche.

Cc: Director's Chrono
CPWO File
WPS Copy
BES Copy
BHCF Copy
BMS Copy
ASO Copy
AO Copy

DBC


Diana Calvo
Acting, DPW Chief 11/5/98

Preliminary FY 1997 Audit Findings - Food Stamps Program

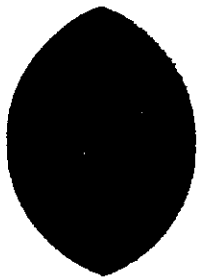
Item Number	CFDA No.	Response
97-01 BASED ON THE ABOVE RESPONSE THIS FINDING HAS BEEN RESOLVED IN THE ACCOMPANY- ING AUDIT REPORT.	10.551	Agree. The reports were submitted late. Corrective action has been implemented to designate the Administrative Officer within the Office of the Chief of Public Welfare to be responsible for ensuring the reports are submitted by the required deadline. The individual will coordinate closely with Department of Administration.
97-02 BASED ON THE ABOVE RESPONSE THIS FINDING HAS BEEN RESOLVED IN THE ACCOMPANY- ING AUDIT REPORT.	10.551	The quality control folders are located in a condemned building in Tiyan. The folders are now available in Building #417 and #419. Please contact Linda Susuico, BMS Administrator or Annie Soto, QC Supervisor for casefiles.

Preliminary FY 1997 Audit Findings - Public Assistance Program

Item Number	CFDA No.	Response
<p>97-01</p> <p>BASED ON THE ABOVE RESPONSE, THIS FINDING HAS BEEN RESOLVED IN THE ACCOMPANYING AUDIT REPORT.</p>	<p>93.560</p>	<p>Agency disagrees with findings. Questioned costs were allowable costs under the Public Assistance Program as these costs are for Transitional ChildCare Services. Guam implemented the Temporary Assistance for Needy Families (TANF) Program effective July 1, 1997. Service dates for the questioned costs were prior to this date. Additionally, Guam received its first ChildCare and Development Fund (CCDF) combined funding for childcare beginning October 1, 1997.</p>

Preliminary FY 1997 Audit Findings - Medicaid Program

Item Number	CFDA No.	Response
97-01 THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-20.	93.778	Copies of payment report dated May 31, 1998 that substantiate the questioned costs are attached. Program staff is able to verify and reconcile with the Department of Administration's BACIS Program amounts paid to vendors through the online transaction register.
97-02 THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-21.	93.778	Agree. There was no formal biennial security review conducted during FY 1997. The department's Systems and Programming Group is tasked to conduct these periodic risk analyses. The responsibility to ensure the completion of this task falls with the Systems and Programming Administrator.
97-03 THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-19.	93.778	Grantee was not able to complete its review of the twenty-seven cases listed to validate the finding. The Bureau of Economic Security has the responsibility of verifying all elements of eligibility for public assistance cases categorically eligible for medicaid assistance. Eligibility workers are required to verify vehicle and real property resources in accordance with operating procedures.



**BUSINESS OFFICE DIVISION
DEPARTMENT OF EDUCATION**

*Manuel F.L. Guerrero / Administration Building
2nd. Floor, Suite B-203
Hagatna, Guam 96932
Telephone: (671) 475-0416/0418/0420
Fax: (671) 472-5009*



*Roland L.G. Taimanglo
Director of Education*

*Scott K. Moylan
Deputy Comptroller*

*Aline A. Yamashita, Ph.D.
Deputy Director of Education*

October 30, 1998

Deloitte and Touche LLP
361 South Marine Drive
Tamuning, Guam 96911

Re: School Breakfast Program (CFDA # 10.553) and National Lunch Program (CFDA # 10.555)

Gentlemen:

Transmitted herewith for your review is our explanation for audit finding #97-01:

Please note that the figures stated under the **Per Reimbursement Claim** column were figures from the Food Services Section and these are preliminary figures. The final figures are with the Accounting Technician III within the Business Office who is responsible for preparing all the reports (i.e., monthly, quarterly and final) to USDA.

Upon review of the monthly reimbursement claims, I have found that the figures match with those stated in the FSR with the exception of the month of September 1997 which was due to an inputting/transposing error. The total reimbursement claim for paid lunches as indicated on the monthly working papers should have been \$37,339.08, however, the figure of \$3733.08 was what was transposed onto the summary for the quarter, therefore, we under reported a total of \$33,606. The accurate or correct total that should have been reported for the fourth quarter is \$454,623 instead of \$421,017. A revised Final FSR is being prepared and will be forwarded to the Federal Government immediately. The necessary documents are attached for your review along with our response and corrective action plan. Should there be any questions, please call me.


Vicky Quenga

Assistant Administrator, Financial Affairs

attachments

Schedule of Findings and Questioned Costs , Finding No. 97-01:

(CFDA # 10.553 & CFDA # 10.555) **THIS ITEM NUMBER TRANSLATES TO AUDIT
FINDING NUMBER 97-04.**

Auditee Response and Corrective Action Plan:

On the first week of every month, upon receipt of the monthly cafeteria collection reports from the schools, Mr. Franklin Cruz an Accounting Technician with the Business Office shall verify all figures prior to the preparation of the monthly summary using an automated program/spreadsheet. An Alternate Accounting Technician will then verify the data entered on this summary. These monthly reports (summary) will then be electronically linked and thereby generating the quarterly reports which will also be verified by the alternate. Upon completion of this check, it shall be submitted to the Asst. Administrator, Financial Affairs for final review and approval.

GOVERNMENT OF GUAM



Carl T.C. Gutierrez
GOVERNOR

Madeline 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

Marilyn D.A. Manibusan
DEPUTY DIRECTOR

OCT 29 1998

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

Dear Mr. Fitzgerald:

We are responding to 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, 1997. We have reviewed your findings and make the following comments on the enclosed forms for your review and disposition.

Should you need our office to provide further assistance, you may contact Anne San Nicolas, Quality Assurance Management Analyst at (671) 475-0282/90, Charles H. Morris, NHS Administrator at (671) 475-0287/90 or myself at (671) 735-7102.

Sincerely,



DENNIS G. RODRIGUEZ
Director

Enclosures

CFDA #10.557

<u>Item No.</u>	<u>Criteria</u>	<u>Questioned Cost</u>
-----------------	-----------------	------------------------

97-01

In accordance with OMB Circular A-133 allowable cost/costs principles requirements:

\$11,015

THIS ITEM
NUMBER
TRANSLATES
TO AUDIT
FINDING
NUMBER 97-05.

- (1) Total salaries used to calculate indirect costs reported in the FNS 227-A
- (2) All financial records should be maintained on file to substantiate.
- (3) Employee gross pay should be accurately calculated.

Condition

- (1) Total salaries reported in the FNS227A Report is \$715,430; however, DOA records only \$700.769
- (2) For one (or 6%) out of 17 non-payroll items selected for testing, no check copy, invoice, receiving report, or payment request was on file to substantiate a payment to vendor number W7221504 on September 25, 1997, with check number 908701, totaling \$7,230.

For one (or 11%) out of 9 payroll items selected for testing, no labor cost distribution report was on file to substantiate expenditures under reference number LABOR1026, totaling \$1,218.56.

- (3) For 1 (or 2.9%) out of 34 transactions tested, gross pay Was overstated, as follows:

Pay Period Ended	Dept/ Div	Employee#	Gross pay per DOA	Gross pay per D&T	Questioned Cost
011897	1716	18544423	\$599.44	\$528.88	\$ 70.56

Response

Enclosed are the documents to substantiate and resolve the questioned cost of \$11,015.

The responsible persons to perform reconciliation of the Guam WIC Program and DOA Division of Accounts records prior to submitting the FNS227A report will be the Management Analyst II and Administrative Assistant. Corrective Action should be completed by December 30, 1998. They will investigate discrepancies promptly and make correction timely.

CFDA 10.557

<u>Item No.</u>	<u>Criteria</u>	<u>Questioned Cost</u>
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97-02

THIS ITEM
NUMBER
TRANSLATES
TO AUDIT
FINDING
NUMBER 97-06.

In accordance with OMB Circular A-133 special tests and provisions requirements, written guidance on procedures for following up on unreconciled food instruments (FI's) should exist.

-0-

Condition

No written guidance for following up on unreconciled FI's exists.

Response

The WIC Director will identify the component to be responsible for developing and performing the reconciling of unrecovered food instruments by November 30th, 1998. The responsible component will then have by March 30th, 1999 to complete these procedures.

Item No. **Criteria****Questioned Costs**

97-04

THIS ITEM
NUMBER
TRANSLATES
TO AUDIT
FINDING
NUMBER 97-07.

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."

-0-

Condition

For three (7%) out of 45 case files tested (i.e., #101228, 101426, and 101238, the signature of the component professional authority was not apparent. Also, for one (or 2%) of the 45 files (i.e., #300133), there was no medical referral form in the participant's file.

Response

The responsible persons for ensuring only CPA's sign the certification form are the Nutritionist II's. The WIC Director and the Nutritionist II's will meet to discuss to ensure only CPA's access the nutritional risk of participants by November 30th, 1998.

The medical referral form to document eligibility is obsolete since automation of the Guam WIC Program. Therefore, no medical referral form is required for file #300133.



GUAM WATERWORKS AUTHORITY

Government of Guam

Post Office Box 3010, Agana, Guam 96932

Phone: (671) 647-7874 Fax: (671) 649-0369

October 30, 1998

Deloitte & Touche
361 South Marine Drive
Tamuning, Guam 96910

Re: Response to Audit Finding for FY97

Hafa Adai Gentlemen:

Item No.	Condition	Corrective Action Plan
97-01 CFDA #66.418 THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-08.	No quarterly progress reports were submitted in fiscal year 1997.	<p>The provisions of the U.S. EPA Grant award for Agafa Gumas Collector System Project does not appear to apply to grantees who subcontract the project. Because Guam Waterworks Authority falls under this category, we believe this finding is not applicable. Reference: U.S. EPA, Agafa Gumas Collector System, special condition Nos. 6a, 6b, 6d, & 6e.</p> <p>Representatives from U.S. EPA are scheduled to meet with the accountants by mid November 1998 and we will certainly address these conditions with them.</p>

Should you have any questions regarding the above, please contact Mary Grace V. Edrosa at 647-7808.


ZENY A. LEVITCH
Controller





GUAM ENVIRONMENTAL PROTECTION AGENCY



AHENSIAH PRUTEKSIAH LINA'LA GUAHAN

P.O. BOX 22439 GMF • BARRIGADA, GUAM 96921 • TEL: 475-1658/9 • FAX: 477-9402

October 26, 1998

Mizpah Weigand
Deloitte & Touche
361 South Marine Drive
Tamuning, Guam 96910

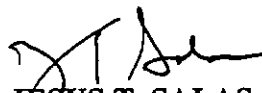
Re: Response to Audit Findings for FY 97

Hafa Adai Ms. Weigand:

In response to your fax transmittal dated 10/23/98, Audit Findings Number 97-02 and 97-03 have been resolved and therefore removed. The corrective action for Audit #97-01 is below:

Item No:	Recommendation	Resolution
97-01, CFDA #66.600 THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-09.	Grantee should strengthen controls to ensure that prior to preparing requests for payment, the responsible personnel (1) recalculates invoices and (2) reviews and documents travel authorizations, respectively.	(1) By April 1999, the Administrative Services Officer will work closely with DOA Accounting to require that monthly reports be provided to the grantee to ensure accurate processing of payment corresponding with their respective invoices. Once the Grantee is consistently on line with DOA's AS/400, the Administrative Services Officer will review all printouts on a weekly basis to ensure accuracy of transactions. (2) By March 1999, the Administrative Services Officer will work closely with DOA Travel Section to require that copies of all signed and revised TA's are provided to the Grantee. Once the Grantee is consistently on line with DOA's AS/400, the Administrative Services Officer will review all reports on a weekly basis to ensure accuracy of transactions.

Should you have any questions regarding the above, please contact Sandy Paulino at 475-1658/9.
Dangkolo na Si Yu'os Ma'ase!


JESUS T. SALAS
Administrator

"ALL LIVING THINGS OF THE EARTH ARE ONE"





DEPARTMENT OF EDUCATION

P.O. Box DE
Agana, Guam 96932
Tel: (671) 475-0457
Fax: (671) 472-5003



Roland L.G. Taimanglo
Director

Aline Yamashita, Ph.D.
Deputy Director

October 30, 1998

Mizpah Wiegand
Deloitte and Touche

HAND DELIVER

Dear Ms. Weigand,

As requested in your September 25, 1998, memorandum to Ms. Nora Sawyer, please find the response to the Preliminary FY 1997 Audit Findings for the Special Education Program (CDFA # 84.027).

If there are any further questions or clarifications regarding our response, please communicate with Vince Leon Guerrero or his staff.

Thank you for your professional review of our Special Education Programs.

Sincerely,

Roland L.G. Taimanglo
Roland L.G. Taimanglo

Attachments

COMMONWEALTH NOW!





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

THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-10.

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-cumbersome 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. CFDA No. Criteria

97-02 84.027 In accordance 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 1996-97, " IEP Annual Review should occur on or before the annual date of the IEP

THIS ITEM NUMBER
TRANSLATES TO AUDIT
FINDING NUMBER 97-11.

Response: Concur with findings and recommendations

CORRECTIVE ACTION PLAN				
Student File Number	IEP Review Date	Personnel Responsible	Corrective Action	Timeline
2734	February 1997	Vaughn Mesa, Principal, JFKHS Ellie Pangelinan, CRT, JFKHS	Memorandum directing principal, with copy to Consulting Resource Teacher, to conduct an IEP review meeting.	November 30, 1998
1696	February 1997	Vaughn Mesa, Principal, JFKHS, Ellie Pangelinan, CRT, JFKHS	Memorandum directing principal, with copy to Consulting Resource Teacher, to conduct an IEP review meeting.	November 30, 1998
2257	May 1997	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to St. John's School, to conduct an IEP review meeting.	November 30, 1998
1038	May 1997	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Santa Barbara School, to conduct an IEP review meeting.	November 30, 1998
1416	September 1997	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to St. Anthony's School, to conduct an IEP review meeting.	November 30, 1998
1684	March 1997	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Harvest Christian Academy, to conduct an IEP review meeting.	November 30, 1998
3267	October 1997	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Trinity Christian Academy, to conduct an IEP review meeting.	November 30, 1998
3482	June 1996	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Southern Christian Academy, to conduct an IEP review meeting.	November 30, 1998
1492	April 1997	Student terminated Off Island	IEP conducted 10/19/98 Memorandum directing Principal to insure IEPs are conducted within prescribed timeframe.	Upon receipt of notice

Item No.	CFDA No.	Criteria
97-02	84.027	In accordance 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 1996-97, " IEP Annual Review should occur on or before the annual date of the IEP

Response: Concur with findings and recommendations

CORRECTIVE ACTION PLAN				
Student File Number	IEP Review Date	Personnel Responsible	Corrective Action	Timeline
2735	June 1995	Student terminated System automatically terminated student on 7/21/97 target date of Graduation	Memorandum to Program Coordinator, with copies to CRT, to attempt locate student.	November 30, 1998
2706	May 1997 IEP conducted 9/24/97	Voluntary Withdrawal 9/24/97 Services Terminated Vaughn Mesa, Principal, JFKHS	Memorandum to principal to insure all IEPs are conducted within prescribed timeframe.	Upon receipt of notice
3004	October 1997 IEP 10/21/97	Chris Anderson, Acting Principal Southern High School Student transferred off island.	Memorandum to Principal to insure all reevaluations are completed with in the prescribed time frame.	Upon receipt of notice

THIS ITEM NUMBER TRANSLATES TO AUDIT FINDING NUMBER 97-12.

Item No. CFDA No. Criteria

97-03 84.027 In accordance with 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.

Response: Concur with findings and recommendations for student 2215.

Student File Number	Date notice Sent	Date of Meeting	Responsible Person	Action and Timeline
2215	April 2, 1997	April 10, 1997	Mark Ulric, Principal, Untalan Middle School	Memorandum sent to Principal with copy to CRT regarding 10 day prior notification and if necessary, document waiver of 10 day notice as applicable. November 30, 1998

Response: Dispute findings for student No.s 1184, 2965, and 3472

Student File Number	Date Notice Sent	Date of Meeting	Documentation	Discussion
2965	September 19, 1997	September 30, 1997	SPF 4.1 (copy attached)	Notice sent to parent on 9/19/97 for IEP meeting scheduled for 9/20/98 which is 11 days prior notice.
1184	January 26, 1997	March 20, 1998	SPF 4.1 (copy attached)	Notice sent to parent 2/26/97 for IEP meeting scheduled for 3/20/97, which is 22 days prior notice.
3472	April 24, 1997	May 6, 1997	SPF 4.1 (copy attached) & SPF 6.3 (copy attached)	Notice sent to parent 4/24/97 for IEP meeting scheduled for 5/6/93, which is 13 days prior notice. Since committee members were not able to attend the meeting on the 5/6/97, parents were called to reschedule the meeting for the 5/9/97. Handbook for Delivery of Services, SY 1996-97, allows for a waiver of the 10 days notice with parent consent. Case Managers notes indicates that parents were informed of the change and agreed to have the meeting on the 5/9/97.

Item No. CFDA No. Criteria

97-04 84.027

In accordance with the OMB Circular A-133 special tests and provisions and eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-97," a 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.

THIS ITEM NUMBER
TRANSLATES TO AUDIT
FINDING NUMBER 97-13.

CORRECTIVE ACTION PLAN

Student File	Date of Reevaluation Due	Reevaluation Date	Responsible Personnel	Action and Timeline
2738	June 1996	Not Completed	Vaughn Mesa, Principal, JFKHS Ellie Pangelinan, CRT, JFKHS	Memorandum directing principal, with copy to Consulting Resource Teacher to conduct Reevaluation November 30, 1998
2735		Unable to locate; terminated.	Cathy Tydingco, Program Coordinator	Memorandum requesting to locate student and document efforts if still not able to locate.

Response: We dispute findings for student No. 2658

Student Number	Reevaluation Date	Date of Reevaluation	Documentation	Discussion
2658	1/18/99		SPF 2.5 & SPF 4.2	This student is not due for a reevaluation until January 18, 1999.

Item No. CFDA No. Criteria

97-04 84.027 In accordance with the OMB Circular A-133 special tests and provisions and eligibility requirements in the "Handbook for the Delivery of Special Education Services, SY 1996-97," a 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.

Response: We concur with findings and recommendations for student No.s 1038, 1884, 2706, 3428, 3004, 2738, and 2735

CORRECTIVE ACTION PLAN				
Student File Number	Date of Reevaluation Due	Date of Reevaluation	Responsible Personnel	Action and Timeline
1038	August 1997	Not Completed	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Santa Barbara School to conduct a reevaluation. November 30, 1998
1884	9/27/97	Reevaluation completed 2/19/98	Johnny Rivera, Principal Agueda Johnston Middle School	Memorandum to principal to ensure evaluations are conducted within prescribed time.
2706		Voluntary Withdrawal, Terminated Not completed	Vaughn Mesa, Principal, JFKHS	Memorandum to principal to ensure evaluations conducted within prescribed time.
3482	April 1997	Not Completed	Cathy Tydingco, Program Coordinator	Memorandum directing Program Coordinator, with copy to Consulting Resource Teacher assigned to Southern Christian Academy to conduct a reevaluation. November 30, 1998
3004	8/29/94	Not Completed	Chris Anderson, Acting Principal Southern High School Judy Quenga, CRT, SHS	Student Terminated Transferred Off Island





Roland L.G. Taimanglo
Director of Education

Aline A. Yamashita, Ph.D.
Deputy Director of Education

Special Education Division

Department of Education

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Fax: (671) 475-0562



Vincent T. Leon Guerrero
Associate Superintendent

May A. Camacho
Assistant Superintendent

November 5, 1998

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96910

Dear Gentlemen,

The following statements made are to the best of our knowledge and belief, and are being provided to you in connection with your audit of OMB Circular A-133 compliance requirements of the Special Education Program (CFD #84.027) for the fiscal year ended September 30, 1997. Based on our conversations we do not concur with finding 97-05 Condition (1).

Regarding item number 97-05 under subtitle Condition (1), attached are letters to the Guam Community College regarding noncompliance issues. The monitoring of GCC to ensure compliance is done on a monthly basis. Review of monthly printouts (which establishes child count for month) indicate any overdue IEPs and/or triannuals for which GCC is responsible for updating. Letters of noncompliance with regards to any overdue IEP or triannual have been sent to GCC upon invoicing by their business office (see attached). In addition requests for the financial audit for fiscal year 1997 have been made (see attachment). Payment for invoices submitted have been withheld and will continue to be withheld until such time as GCC deals with cited noncompliance issues.

for May A. Camacho
Vince Leon Guerrero
Associate Superintendent, Special Education

Our Educational Community:

- Prepares all students for life

- Provides support

- Promotes excellence

97-05 84.027 In accordance with the OMB Circular A-133 sub-recipient monitoring requirements, the pas-through agency must monitor the sub-recipient for compliance with the sub-recipient agreement.

THIS ITEM NUMBER
TRANSLATES TO AUDIT
FINDING NUMBER 97-14.

Response: Dispute findings for Condition (1)

Requirement	Process	Documentation	Discussion
Grantee should establish and implement internal controls to ensure that sub-recipients are monitored in accordance with OMB Circular A-133 and are directed to correct noncompliance findings	Monthly school data printout is given to each school administrator and CRT. Staffing with CRT/Program Supervisor is held on a monthly basis and each CRT goes through a "clearing" process at the end of the school year. This process includes reviewing the status of paperwork on each and every student on the school's data printout. Timelines for completing the outstanding/overdue paperwork are established and follow-up is conducted throughout the summer until completed. The monthly printouts are also reviewed by the Associate and the Assistant Superintendent of Special Ed.	School's monthly data printout.	GCC invoices DOE-SPED on a quarterly basis. When we receive the invoice, we review the current data printout. If they continue to be in non-compliance, we notify them in writing that payment will be withheld until compliance.
...GCC agreed to provide ... a detailed fiscal report	Based on DOE-SPED/GCC Memorandum of Understanding, an annual fiscal report is submitted by GCC within 30 days after the project termination date.	9/1/98 Letter to Ginger Porter from Vince Leon Guerrero: financial report still not received by SPED. Payment to be withheld until compliance. 10/14/98 Fax from GCC stating audit pending. 10/26/98 to GCC Financial Affairs requesting a memo regarding Audit 97 and Audit 98.	Payment continues to be withheld until compliance issues are met.



ROLAND L.G. TAIMANGLO
Director of Education

DEPARTMENT OF EDUCATION
GOVERNMENT OF GUAM
FEDERAL PROGRAMS DIVISION

Manuel F.L. Guerrero / Administration Building
2nd Floor, Suite B-204
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Hagåtña, Guam 96932
Telephone: (671) 475-0469 thru 78
Fax: (671) 477-4587



ALINE A. YAMASHITA, Ph.D.
Deputy Director of Education

NOV. 05 1998

Memorandum

To: Deloitte & Touche
Mitzpah Wiegand

From: Administrator, Federal Programs

Subject: FY 97 Audit Responses

The above subject report is being forwarded to your office as requested. Attached you will find responses to the findings.

Should you have any questions please call our office at 475-0473.


Ernestina A. Cruz

Attachment

AUDIT FINDINGS FY97 RESPONSES

CFDA No:
84-998

Item # 2

THIS ITEM NUMBER REFERS TO
AN IMMATERIAL FINDING THAT
IS NOT REPORTABLE IN THE
SINGLE AUDIT REPORTS.

- We concur with the auditors response and currently working on corrective action. We are, however, waiting for our Financial System to be upgraded into FY99 before we can do any adjustments. As soon as this is completed we will send the documentation to your office to this effect.

Item #97-01

THIS ITEM NUMBER TRANSLATES
TO AUDIT FINDING NUMBER 97-15.

- We concur with the auditors recommendation. The ending balance in Fiscal Year 96 shows a negative balance, therefore the beginning balance in 97 shows the negative balance.
- The previous Accounting Technician III, was not keeping track of the expenditures, a journal entry should have been prepared.

An effort is being done to ensure that all adjustments are performed to avoid a negative balance.