

**COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH
AND SOCIAL SERVICES**

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL**

SEPTEMBER 30, 2000



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

Director
Community Health Centers
Department of Public Health and Social Services:

We have audited the statement of revenues, expenditures and changes in fund balance of the Community Health Centers (Centers), Department of Public Health and Social Services (DPHSS) for the year ended September 30, 2000, and have issued our report thereon dated October 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Centers' statement is 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Centers' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of revenues, expenditures and changes in fund balance and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Director and management of the Centers, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte + Tuck LLP

October 31, 2001



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM**

Director
Community Health Centers
Department of Public Health and Social Services:

Compliance

We have audited the compliance of the Community Health Centers (Centers), Department of Public Health and Social Services (DPHSS) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2000. The Centers' major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 6 through 10). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on Centers' compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Centers' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Centers' compliance with those requirements.

As described in items 00-01 and 00-02 in the accompanying Schedule of Findings and Questioned Costs, the Center did not comply with requirements regarding reporting and special tests and provisions applicable to its one federal program (CFDA #93.224). Compliance with such requirements is necessary, in our opinion, for the Centers to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Centers complied, in all material respects, with the requirements referred to above that are applicable to its one major federal program for the year ended September 30, 2000.

Internal Control Over Compliance

The management of the Centers is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Centers' internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

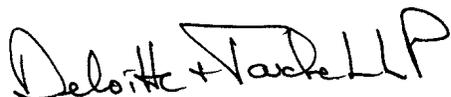
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Centers' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 00-01 and 00-02.

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 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 also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the statement of revenues, expenditures and changes in fund balance of the Centers for the year ended September 30, 2000, and have issued our report thereon dated October 31, 2001. Our audit was performed for the purpose of forming an opinion on the statement taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the statement. This schedule is the responsibility of the management of the Centers. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statement taken as a whole.

This report is intended for the information of the Director and management of the Centers, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

October 31, 2001

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

<u>CFDA #</u>	<u>Federal Grantor</u>	<u>Expenditures</u>
93.224	Community Health Center	\$ 129,588

Note: The above Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule of Findings and Questioned Costs
Year Ended September 30, 2000

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the statement of revenues, expenditures and changes in fund balance expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the statement were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none 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 Centers' major program was:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Health Center	93.224

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Centers did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

Not applicable.

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
00-01	Reporting	\$ -
00-02	Special Tests and Provisions	\$ -

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
00-01	93.224	In accordance with OMB Circular A-133 reporting requirements, quarterly reports (i.e., SF 272) are due within 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports (i.e., SF 269).	\$ -

Condition:

SF-272, Federal Cash Transactions were submitted late as follows:

<u>Quarter</u>	<u>Date Due</u>	<u>Date Submitted</u>	<u>Days Late</u>
1	30-Jan-00	29-Feb-00	30
2 & 3	30-Jul-00	15-Aug-00	16
4	30-Oct-00	17-Jan-01	79

SF-269, Financial Status Report was submitted on March 12, 2001 which is 163 days late.

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 over ensuring that Federal reports are prepared and submitted in a timely manner.

Effect:

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

Recommendation:

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

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Auditee Response dated November 21, 2001:</u>	<u>Questioned Costs</u>
00-01	93.224	The Department of Administration is the responsible reporting entity since the Department of Public Health and Social Services is a line agency of the Government of Guam. Thus, the Department of Administration, Division of Accounts, in lieu of the Department of Public Health and Social Services, should provide the corrective action plan.	\$ -

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2000

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
00-02	93.224	In accordance with OMB Circular A-133 special tests and provisions, the health center must have a governing board, which meets at least once a month, selects the services to be provided by the center, schedules the hours during which services will be provided by the center, approves the center's annual budget, approves the selection of a director for the center and establishes general policies for the center.	\$ -

Condition:

The grantee's governing board met only three times (October 28, 1999, January 11, 2000, and August 24, 2000) during Fiscal Year 2000.

Cause:

Due to non-attendance of other Board members, the two-third Board member requirement to establish a quorum was not attained.

Effect:

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

Recommendation:

The grantee should ensure that Board members meet at least once a month in accordance with OMB Circular A-133 special tests and provisions requirements.

Auditee Response dated November 21, 2001:

Although the Governor appointed over 5 board members, four members failed to attend meetings set by the board. The Chairperson of the Board requested the Governor of Guam to appoint four members to replace the inactive board members. The Governor appointed three additional members in September 2001. As a result, meetings are now conducted monthly due to the presence of at least five members.

COMMUNITY HEALTH CENTERS
DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES

Findings and Questioned Costs
Year Ended September 30, 2000

There are no prior year unresolved findings and questioned costs at September 30, 2000.

GOVERNMENT OF GUAM



Carl T.C. Gutierrez
GOVERNOR

Madeleine Z. Bordallo
LIEUTENANT GOVERNOR

DEPARTMENT OF PUBLIC HEALTH & SOCIAL SERVICES
(DIPATTAMENTON SALUT PUPBLEKO YAN SETBISION SUSIAT)

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Dennis G. Rodriguez
DIRECTOR

Joe R. San Agustin
DEPUTY DIRECTOR

FEB 15 2002

Edwin Limtuatco
Auditor
Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96911

Dear Mr. Limtuatco:

Buenas Yan Saluda! The Department of Public Health and Social Services is in receipt of the draft of the audit for the Guam Community Health Centers. Upon your request, I am responding to two items that were found to be non-compliance with OMB Circular A-133.

Item No.00-01 specifies that the SF-272 Federal Cash Transactions and the SF-269 Financial Status Report were submitted late. The Department of Administration is the responsible reporting entity since the Department of Public Health and Social Services is a line agency of the Government of Guam. Thus, the Department of Administration, Division of Accounts, in lieu of the Department of Public Health and Social Services, should provide the corrective action plan.

Item Number 00-02 states that the Board members did not adhere to meeting at least once a month. Although the Governor appointed over 5 board members, four members failed to attend meetings set by the board. The Chairperson of the Board requested the Governor of Guam to appoint four members to replace the inactive board members. The Governor appointed three additional members in September 2001. As a result, meetings are now conducted monthly due to the presence of at least five members.

Should you have any questions, or need additional information, feel free to contact me at 735-7102 or via facsimile at 734-5910, or PeterJohn Camacho, Chief Public Health Officer, at 735-7305 or 734-2066 (FAX), or Linda Unpingco-DeNorsey, Health Services Administrator, at 828-7501/2 or 828-7504 (FAX).

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis G. Rodriguez".
DENNIS G. RODRIGUEZ