

**GUAM PRE-EXPENDITURE REPORT
TITLE XX, CONSOLIDATED BLOCK GRANTS PROGRAM**

**FY 2019
SINGLE AUDIT REPORT**

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2017

**GOVERNMENT OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Eddie B. Calvo
Governor
Government of Guam:

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated June 25, 2018. Our report includes a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the GovGuam Retirement Fund. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust, as described in our report on GovGuam's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Chamorro Land Trust Commission, Guam Ancestral Lands Commission, Guam Community College, the Guam Department of Education, the Guam Economic Development Authority, the Guam Educational Telecommunications Corporation, the Guam Memorial Hospital Authority, the Guam Power Authority, the Guam Visitors Bureau, the Guam Waterworks Authority, the Port Authority of Guam, the Solid Waste Operations Fund, the Guam Highway Fund, the Tourist Attraction Fund, and the University of Guam, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Preservation Trust. The findings, if any, included in those reports are not included herein.

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Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GovGuam's internal control over financial reporting (Internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-007, that we consider to be significant deficiencies.

Compliance and Other Matters

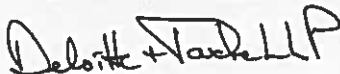
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GovGuam's Responses to Findings

GovGuam's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 25, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Eddie B. Calvo
Governor
Government of Guam:

Report on Compliance for Each Major Federal Program

We have audited the Government of Guam's (GovGuam's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GovGuam's major federal programs for the year ended September 30, 2017. GovGuam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 2b to the Schedule of Expenditures of Federal Awards, GovGuam's basic financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2017. Our audit, described below, did not include the operations of the entities identified in Note 2b as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GovGuam's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GovGuam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of GovGuam's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in Findings 2017-002, 2017-004, and 2017-007 in the accompanying Schedule of Findings and Questioned Costs, GovGuam did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-002		SNAP Cluster	Special Tests and Provisions
2017-007	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2017-007	20.205	Highway Planning and Construction Cluster	Equipment and Real Property Management
2017-004	66.600	Environmental Protection Consolidated Grants for the Insular Areas – Program Support	Procurement and Suspension and Debarment
2017-007	66.600	Environmental Protection Consolidated Grants for the Insular Areas – Program Support	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with the requirements applicable to those programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster; CFDA 15.875 Economic, Social and Political Development of the Territories; Highway Planning and Construction Cluster; and CFDA 66.600 Environmental Protection Consolidated Grants for the Insular Areas – Program Support for the year ended September 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, GovGuam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 2017-001, 2017-003, 2017-005, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

GovGuam's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report on Internal Control Over Compliance

Management of GovGuam is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GovGuam's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-004, and 2017-007 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as items 2017-001, 2017-003, 2017-005, and 2017-006 to be significant deficiencies.

GovGuam's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. GovGuam's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated June 25, 2018, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and emphasis-of-matters paragraphs for the implementation of new accounting standards and a matter regarding the GovGuam Retirement Fund. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Deloitte + Touche LLP

June 25, 2018

GOVERNMENT OF GUAM

**Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2017**

Federal Agency	Federal Expenditures
U.S. Department of Agriculture	\$ 114,091,339
U.S. Department of Commerce	1,667,352
U.S. Department of Defense	4,030,186
U.S. Department of Housing and Urban Development	236,826
U.S. Department of the Interior	18,938,188
U.S. Department of Justice	3,616,708
U.S. Department of Labor	5,207,891
U.S. Department of Transportation	17,883,275
National Foundation on the Arts and the Humanities	405,121
U.S. Environmental Protection Agency	3,021,413
U.S. Department of Energy	263,055
U.S. Department of Education	1,675,854
U.S. Department of Health and Human Services	113,876,214
Corporation for National and Community Service	1,288,724
U.S. Department of Homeland Security	2,598,549
GRAND TOTAL	\$ 288,800,695

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

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Federal Expenditures	Amounts Passed Through To Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 77,318	
10.170	Specialty Crop Block Grant Program	234,809	\$ 234,809
10.544	Healthy Body Healthy Spirit	2,782	
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program (SNAP)	102,943,641	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,700,858	128,096
	Subtotal SNAP Cluster	<u>104,644,499</u>	<u>128,096</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	8,812,508	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	52,263	
10.664	Cooperative Forestry Assistance	186,891	
Community Facilities Loans and Grants Cluster:			
10.766	Community Facilities Loans and Grants	80,269	
	Subtotal Community Facilities Loans and Grants Cluster	<u>80,269</u>	
10.912	Environmental Quality Incentives Program		
10.914	Wildlife Habitat Incentive Program		
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	<u>\$ 114,091,339</u>	<u>\$ 362,905</u>
U.S. DEPARTMENT OF COMMERCE			
11.407	Interjurisdictional Fisheries Act of 1986	\$ 6,431	
11.419	Coastal Zone Management Administration Awards	793,887	\$ 32,616
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	28,351	20,766
11.437	Pacific Fisheries Data Program	58,346	
11.441	Regional Fishery Management Councils	195,000	
11.454	Unallied Management Projects	20,042	
11.467	Meteorologic and Hydrologic Modernization Development	7,029	
11.482	Coral Reef Conservation Program	434,838	323,237
11.549	State and Local Implementation Grant Program	123,428	
	U.S. DEPARTMENT OF COMMERCE TOTAL	<u>\$ 1,667,352</u>	<u>\$ 376,619</u>
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 109,917	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,015,140	
12.607	Community Economic Adjustment Assistance for Realignment or Closure of Military Installation	905,129	
	U.S. DEPARTMENT OF DEFENSE TOTAL	<u>\$ 4,030,186</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.235	Supportive Housing Program	\$ 236,826	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL		\$ 236,826	
U.S. DEPARTMENT OF THE INTERIOR			
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration	\$ 930,487	
15.611	Wildlife Restoration and Basic Hunter Education	1,112,647	
	Subtotal Fish and Wildlife Cluster	<u>2,043,134</u>	
15.615	Cooperative Endangered Species Conservation Fund	303,305	
15.622	Sportsfishing and Boating Safety Act	32,066	
15.634	State Wildlife Grants	82,273	
15.875	Economic, Social, and Political Development of the Territories	16,104,669	\$ 9,806,627
15.904	Historic Preservation Fund Grants-In-Aid	372,741	
U.S. DEPARTMENT OF THE INTERIOR TOTAL		\$ 18,938,188	\$ 9,806,627
U.S. DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	\$ 27,790	\$ 26,772
16.527	Supervised Visitation, Safe Havens for Children	57,438	49,390
16.528	Enhanced Training and Services to End Violence and Abuse of Women	17,106	
16.540	Juvenile Justice and Delinquency Prevention Program	20,468	
16.554	National Criminal History Improvement Program (NCHIP)	330,115	
16.575	Crime Victim Assistance	579,342	177,524
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	67,227	
16.582	Crime Victim Assistance/Discretionary Grants	2,680	
16.585	Drug Court Discretionary Grant Program	227,512	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	-	
16.588	Violence Against Women Formula Grants	509,561	367,241
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	12,877	
16.593	Residential Substance Abuse Treatment for State Prisoners	23,791	18,043
16.606	State Criminal Alien Assistance Program	519,791	
16.710	Public Safety Partnership and Community Policing Grants	442,131	
16.727	Enforcing Underage Drinking Laws Program	46,448	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	502,107	354,326
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	19,546	15,173
16.750	Support for Adam Walsh Act Implementation Grant Program	121,776	
16.751	Edward Byrne Memorial Competitive Grant Program	5,331	5,331
16.754	Harold Rogers Prescription Drug Monitoring Program	17,883	
16.812	Second Chance Act Reentry Initiative	65,965	
16.816	John R. Justice Prosecutors and Defenders Incentive Act	23	
U.S. DEPARTMENT OF JUSTICE TOTAL		\$ 3,616,708	\$ 1,013,800

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	<u>Federal Grantor/Program or Cluster Title</u>	<u>Expenditures</u>	<u>Amounts Passed Through To Subrecipients</u>
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	\$ 57,159	
17.005	Compensation and Working Conditions	45,900	
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	294,947	
17.801	Disabled Veterans' Outreach Program (DVOP)	114,738	
	Subtotal Employment Service Cluster	<u>409,685</u>	
17.235	Senior Community Service Employment Program	961,682	
	WIOA Cluster:		
17.258	WIOA Adult Program	856,155	
17.259	WIOA Youth Activities	658,209	
17.278	WIOA National Dislocated Worker Formula Grants	1,594,084	
	Subtotal WIOA Cluster:	<u>3,108,448</u>	
17.273	Temporary Labor Certification for Foreign Workers	83,810	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	135,738	
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training	5,000	
17.285	Apprenticeship USA Grants	89,239	
17.504	Consultation Agreements	269,930	
17.604	Safety and Health Grants	41,300	
	U.S. DEPARTMENT OF LABOR TOTAL	\$ <u>5,207,891</u>	
U.S. DEPARTMENT OF TRANSPORTATION			
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	\$ 15,745,836	
	Subtotal Highway Planning and Construction Cluster	<u>15,745,836</u>	
20.218	Motor Carrier Safety Assistance	251,901	
20.509	Formula Grants for Rural Areas	898,967	
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	616,819	
20.602	Occupant Protection Incentive Grants	55,947	
20.616	National Priority Safety Program	252,637	
	Subtotal Highway Safety Cluster	<u>925,403</u>	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	61,168	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	\$ <u>17,883,275</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts-Partnership Agreements	\$ 262,790	\$ 92,975
45.310	Grants to States	<u>142,331</u>	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL		<u>\$ 405,121</u>	<u>\$ 92,975</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.600	Environmental Protection Consolidated Grants for the Insular Areas-Program Support	\$ 3,001,232	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	20,181	
66.810	Chemical Emergency Preparedness and Prevention Technical Assistance Grants Programs	<u>-</u>	
U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL		<u>\$ 3,021,413</u>	
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	\$ 134,697	
81.042	Weatherization Assistance for Low-Income Persons	<u>128,358</u>	
U.S. DEPARTMENT OF ENERGY TOTAL		<u>\$ 263,055</u>	
U.S. DEPARTMENT OF EDUCATION			
84.034	Public Library Services	\$ -	
84.053	Vocational Education_State Councils	-	
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	1,011,967	
84.177	Rehab Services-Independent Living Services for Older Individuals Who are Blind	38	
84.187	Supported Employment Svcs for Individuals with the Most Significant Disabilities	33,017	
84.403	Consolidated Grant to the Outlying Areas	<u>630,832</u>	
U.S. DEPARTMENT OF EDUCATION TOTAL		<u>\$ 1,675,854</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 8,719	
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	36,428	
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	<u>39,232</u>	<u>\$ 39,232</u>
BALANCE FORWARD		<u>\$ 84,379</u>	<u>\$ 39,232</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 84,379	\$ 39,232
	Aging Cluster:		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	870,519	849,087
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	1,821,191	
93.053	Nutrition Services Incentive Program	400,139	
	Subtotal Aging Cluster	<u>3,091,849</u>	<u>849,087</u>
93.048	Special Programs for the Aging-Title IV-and Title II-Discretionary Projects	86,229	
93.052	National Family Caregiver Support, Title III, Part E	398,045	
93.069	Public Health Emergency Preparedness	415,546	
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	53,140	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	368,431	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	183,321	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,290	
93.110	Maternal and Child Health Federal Consolidated Programs	45,667	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	889,748	
93.127	Emergency Medical Services for Children	139,569	
93.136	Injury Prevention and Control Research and State and Community Based Program	32,245	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	51,190	
93.189	Health Education Training Centers Continuing Educational Support for Health Professionals Serving in Undeserved Communities	-	
93.217	Family Planning-Services	91,185	
	Health Center Program Cluster:		
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	1,788,660	127,117
	Subtotal Health Center Program Cluster	<u>1,788,660</u>	<u>127,117</u>
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	2,789,144	102,500
93.268	Immunization Cooperative Agreements	1,102,843	10,000
93.283	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	560,822	
	BALANCE FORWARD	<u>\$ 12,173,303</u>	<u>\$ 1,127,936</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	BALANCE FORWARD	\$ 12,173,303	\$ 1,127,936
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	208,061	
93.324	State Health Insurance Assistance Program	47,864	
93.336	Behavioral Risk Factor Surveillance System	52,321	
93.369	ACL Independent Living State Grants	8,312	
	Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Cluster:		
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	897,277	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	5,520	
	Subtotal MIECHV Cluster	<u>902,797</u>	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	335,760	
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	1,516,797	
	Subtotal TANF Cluster	<u>1,516,797</u>	
93.560	Family Support Payments to States Assistance Payments	1,007,718	
93.563	Child Support Enforcement	4,147,679	
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	4,882,963	
	Subtotal CCDF Cluster	<u>4,882,963</u>	
93.597	Grants to States for Access and Visitation Programs	53,694	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	259,411	
93.667	Social Services Block Grant	2,835,422	
93.735	State Public Health Approaches for Ensuring Quidline Capacity Funded in part by Prevention and Public Health Funds (PPHF)	36,818	
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program /	52,454	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	268,953	
93.767	Children's Health Insurance Program	27,816,959	
	Medicaid Cluster:		
93.778	Medical Assistance Program	54,657,116	
	Subtotal Medicaid Cluster	<u>54,657,116</u>	
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	-	
	BALANCE FORWARD	\$ 111,264,402	\$ 1,127,936

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES BALANCE FORWARD	\$ 111,264,402	\$ 1,127,936
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for the Infectious Diseases (ELC)	117,505	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	122,701	
93.917	HIV Care Formula Grants	282,021	
93.945	Assistance Program for Chronic Disease Prevention and Control	397,089	
93.958	Block Grants for Community Mental Health Services	262,003	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	907,816	
93.991	Preventive Health and Health Services Block Grant	9,371	
93.994	Maternal and Child Health Services Block Grant to the States	<u>513,306</u>	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	<u>\$ 113,876,214</u>	<u>\$ 1,127,936</u>
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	\$ 264,797	
94.006	AmeriCorps	987,708	\$ 987,708
94.009	Training and Technical Assistance	<u>36,219</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	<u>\$ 1,288,724</u>	<u>\$ 987,708</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	\$ 614,683	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	514,547	
97.042	Emergency Management Performance Grants	828,315	
97.047	Pre-Disaster Mitigation	39,231	
97.067	Homeland Security Grant Program	<u>601,773</u>	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	<u>\$ 2,598,549</u>	
	TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 288,800,695</u>	<u>\$ 13,768,570</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2017

1. Scope of Audit

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GovGuam under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of GovGuam, it is not intended to and does not present the financial positions or changes in financial positions of GovGuam.

3. Summary of Significant Accounting Policies

a. Basis of Accounting:

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and Supplemental Nutrition Assistance Program (SNAP) electronic benefits transfer (EBT) during the period. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. GovGuam does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

b. Reporting Entity:

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, GovGuam's reporting entity is defined in Note 1A to its September 30, 2017 basic financial statements; except that the Guam Department of Education, the GovGuam Retirement Fund, and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by GovGuam, as defined above, for the year ended September 30, 2017.

GOVERNMENT OF GUAM

**Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017**

3. Summary of Significant Accounting Policies. Continued

The federal expenditure totals for the excluded departments and component units as of September 30, 2017, are as follows:

<u>Department or Component Unit</u>	<u>Federal Expenditure Total</u>
Antonio B. Won Pat International Airport Authority	\$ 14,008,113
GovGuam Retirement Fund	\$ -
Guam Community College	\$ 11,964,567
Guam Department of Education	\$ 66,277,223
Guam Economic Development Authority	\$ -
Guam Educational Telecommunications Corporation	\$ -
Guam Housing and Urban Renewal Authority	\$ 42,185,617
Guam Housing Corporation	\$ -
Guam Memorial Hospital Authority	\$ 1,296,219
Guam Power Authority	\$ 153,356
Guam Preservation Trust	\$ -
Guam Visitors Bureau	\$ 35,000
Guam Waterworks Authority	\$ 21,811,030
Port Authority of Guam	\$ 15,246,945
University of Guam	\$ 28,353,420

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

c. Cost Allocation:

The Government of Guam has a plan for the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2017 federal awards programs are based on 2017 actual expenditures and caseloads.

d. Matching Costs:

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

4. Noncash Awards

Certain federal award programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, electronic benefit payments under the Supplemental Nutrition Assistance Program (SNAP), and loans. For the year ended September 30, 2017, the Government of Guam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	\$ <u>102,943,641</u>
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	\$ <u>102,943,641</u>

GOVERNMENT OF GUAM

**Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2017**

	2017 <u>Expenditures</u>
Federal Grants Assistance Fund:	
Total expenditures	\$ 316,011,608
Less local match and contributions	<u>(31,832,100)</u>
Federal expenditures, transfers, and other uses	284,179,508
<u>CFDA #</u>	
Superior Court of Guam:	
16.554 National Criminal History Improvement Program (NCHIP)	330,115
16.585 Drug Court Discretionary Grant Program	227,512
16.750 Support for Adam Walsh Act Implementation Grant Program	115,537
16.812 Second Chance Act Reentry Initiative	65,965
84.403 Consolidated Grant to the Outlying Areas	630,832
Fund 105 Community Health Centers:	
93.224 Health Centers Program	1,788,660
Variance	<u>1,462,566</u>
Total Federal Expenditures Subject to Audit	\$ <u>288,800,695</u>

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
|--|------------|

Internal control over financial reporting:

- | | |
|--|-----|
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | Yes |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|------------|
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | |
| SNAP Cluster | Qualified |
| CFDA # 15.875 | Qualified |
| Highway Planning and Construction Cluster | Qualified |
| CFDA # 66.600 | Qualified |
| All other major programs | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

9. Identification of major federal programs:

<u>CFDA</u>	<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
		SNAP Cluster
	12.401	National Guard Military Operations and Maintenance (O&M) Projects
	15.875	Economic, Social and Political Development of the Territories
	16.527	Supervised Visitation, Safe Havens for Children Highway Planning and Construction Cluster
	45.025	Promotion of the Arts - Partnership Agreements
	66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support Aging Cluster Medicaid Cluster

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017

Section I - Summary of Auditors' Results, Continued

10. Dollar threshold used to distinguish between Type A and Type B Programs:	\$3,000,000
11. Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Finding</u>
2017-007	Capital Assets

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-001	10.551/10.561	Reporting	\$ 0
2017-002	10.551/10.561	Special Tests and Provisions - EBT Reconciliation	0
2017-003	15.875	Procurement and Suspension and Debarment	61,500
2017-007	15.875	Equipment Management	0
2017-007	20.205	Equipment Management	0
2017-004	66.600	Procurement and Suspension and Debarment	11,069
2017-007	66.600	Equipment Management	0
2017-005	93.243	Procurement and Suspension and Debarment	54,400
2017-006	93.778	Eligibility	<u>8,482</u>
Total Federal Questioned Costs			\$ <u>135,451</u>

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-001
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 2017 7GU400GU4
Area: Reporting - FNS-46 – *SNAP Issuance Reconciliation Report*
Questioned Costs: \$0

Criteria:

In accordance with applicable special reporting requirements, States must accurately report the reconciliation of SNAP benefits actually issued with the State’s Master Issuance File on FNS-46 – *SNAP Issuance Reconciliation Report* on a monthly basis.

Condition:

For three (or 25%) of twelve FNS-46 reports tested, total issuances were reported inaccurately, as follows:

<u>Report Month</u>	<u>Issuances Per Report</u>	<u>Issuances Per EBT Contractor</u>	<u>(Under) Over Reported</u>
Jul 2017	\$ 8,484,667	\$ 8,594,918	\$ (110,251)
Aug 2017	\$ 8,710,268	\$ 8,631,186	\$ 79,082
Sep 2017	\$ 8,541,759	\$ 8,617,910	\$ (76,151)
Sep 2017 Revised	\$ 8,632,822	\$ 8,617,910	\$ (14,912)

Subsequently, the July and August reports were accurately revised and resubmitted in January 2018. The September report was revised and resubmitted in March 2018; however, the revised total issuance remains underreported by \$14,912.

Cause:

Government of Guam management did not effectively monitor compliance with applicable special reporting requirements.

Effect:

The Government of Guam is in noncompliance with applicable special reporting requirements. No questioned cost is presented as actual issuances are supported by underlying EBT Contractor records.

Recommendation:

Government of Guam management should more closely monitor the reconciliation and reporting process so that the required monthly reporting and reconciliations of SNAP benefits actually issued with the State’s Master Issuance File are accurate in accordance with applicable special reporting requirements.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 2016 7GU400GU4
Area: Special Tests and Provisions – EBT Reconciliation
Questioned Costs: \$0

Criteria:

In accordance with applicable special tests and provisions requirements, States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and electronic benefits transfer (EBT) contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor.

Condition:

Daily EBT reconciliation documentation from October 1, 2016 through June 10, 2017 was performed by the EBT contractor; however, reconciliations performed by the State were not provided. From June 11, 2017 through September 30, 2017, reconciliations performed by the State were provided; however, reconciliations were performed less frequently than daily, and the reconciliation documentation was revised several times during the course of the audit due to incorrect reconciling data of issuances and redemptions with the EBT service provider.

Cause:

Government of Guam management did not effectively monitor compliance with EBT reconciliation requirements.

Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions requirements for the EBT reconciliation. A potential misstatement of federal expenditures within the Schedule of Expenditures of Federal Awards and basic financial statements or related disclosures could exist undetected and uncorrected. No questioned cost is presented as ending year balances between the State and the EBT contractor are reconciled.

Identification as a Repeat Finding: Finding 2016-001

Recommendation:

Government of Guam management should more closely monitor the reconciliation process so that the required daily reconciliation is completed in accordance with applicable special tests and provisions requirements.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-003
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$61,500

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, the following procurement regulations apply:

1. Sole source procurement may be used, provided that the responsible procurement authority determines in writing that there is only one source for the required supply, service, or construction item.
2. A complete record of each procurement shall be maintained, including the invitation for bid, the bid packages received, and a record showing the basis for determining the successful bidder, who should be the lowest responsible and responsive bidder.

Condition:

In prior audit finding 2016-002, noncompliance was cited for Contract C160600400. Instead of following competitive sealed bidding procedures, a change order was issued to an existing contractor to build six additional bus stops at locations that were not part of the scope of the existing contract. In essence, sole source procurement was followed. However, the procurement file does not contain a written determination as to why there is only one source for the additional bus stops, and the procurement file for the existing contract shows that there had been eight bidders. In FY 2017, expenditures were charged to the noncompliant contract, as follows:

<u>Federal Award No.</u>	<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>FY 2017 Expenditures</u>
D15AF00038	0623696	01/09/17	G1066001	C160600400	\$61,500

Cause:

The Government of Guam did not enforce compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements, and a questioned cost of \$61,500 exists.

Identification as a Repeat Finding: 2016-002

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement and suspension and debarment requirements and should provide the requested procurement files that demonstrate compliance.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-003, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$61,500

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan.
See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-004
Federal Agency: U.S. Environmental Protection Agency
CFDA Program: 66.600 Environmental Protection Consolidated Grants for the Insular Areas - Program Support
Federal Award No.: 00906314
Area: Procurement and Suspension and Debarment
Questioned Costs: \$11,069

Criteria:

In accordance with applicable procurement requirements, a complete record of each procurement shall be maintained to demonstrate effective broad-based competition. Furthermore, the following requirements apply:

1. For small purchases of supplies or services between \$500 and \$15,000 (or \$25,000 effective August 7, 2017), no less than three positive written quotations from businesses shall be solicited, recorded, and placed in the procurement file.
2. Sole source procurement is not permissible unless a requirement is available from only a single supplier. In cases of reasonable doubt, competition should be solicited.

Condition:

For one (or 20%) of five transactions tested, aggregating \$18,758 of \$288,464 in total program non-payroll costs, the sole source method was used to procure water testing supplies based on a vendor's self-certification that it is the sole provider of the required supplies. However, there is no written documentation on file from independent research or independent sources that substantiates the vendor's claim.

<u>Prior Reference</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Amount</u>	<u>FY 2017 Expenditures</u>
P176A01297	01/26/17	10096172	\$ 11,069	\$ 11,069

Cause:

The Government of Guam did not enforce compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements, and a questioned cost of \$11,069 exists.

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement and suspension and debarment requirements and should provide the requested procurement files that demonstrate compliance.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-005
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services_Projects of Regional and National Significance
Area: Procurement and Suspension and Debarment
Questioned Costs: \$54,400

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, a state must follow the same policies and procedures it uses for procurements from its non-federal funds. Therefore, the following procurement regulations are applicable:

1. Sole source procurement may be used, provided that the responsible procurement authority determines in writing that there is only one source for the required supply, service, or construction item.
2. A complete record of each procurement shall be maintained, including the invitation for bid, the bid packages received, and a record showing the basis for determining the successful bidder, who should be the lowest responsible and responsive bidder.

Condition:

In prior audit finding 2016-007, noncompliance was cited for Contract C150600441 because no procurement file was provided. In FY 2017, expenditures were charged to the noncompliant contract, as follows:

<u>Federal Award No.</u>	<u>Transaction No.</u>	<u>Date</u>	<u>Vendor No.</u>	<u>Prior Reference</u>	<u>FY 2017 Expenditures</u>
5H79SM061559-02	0618647	12/05/16	U0226001	C150600441	\$ 54,400

Cause:

The Government of Guam did not enforce compliance with applicable procurement requirements.

Effect:

The Government of Guam is in noncompliance with applicable procurement requirements, and a questioned cost of \$54,400 exists.

Identification as a Repeat Finding: 2016-007

Recommendation:

The responsible procurement personnel should enforce compliance with the applicable procurement requirements and should provide the requested procurement files that demonstrate compliance.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-006
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1705GQ5MAP
Area: Eligibility
Questioned Costs: \$8,482

Criteria:

In accordance with applicable eligibility requirements, such documents as application worksheets, social security cards, proof of citizenship, proof of residency, notice of action, verification of employment forms, and recertification forms should be maintained on file to substantiate eligibility determinations. Furthermore, information should be requested from other agencies in the State and other State and Federal programs in verifying the financial eligibility of an individual.

Condition:

For 2 (or 3%) of 60 case files tested, aggregating \$74,366 of \$80,567,438 in total program benefits, the case file was not provided for examination:

	<u>Case #</u>	<u>Service Date</u>	<u>Claim Amount</u>	<u>FY 2017 Claims Paid</u>
1	33004742004	04/14/2016	\$ 20	\$ 15,245
2	33008039403	02/05/2017	<u>118</u>	<u>176</u>
			<u>\$138</u>	<u>\$ 15,421</u>

Cause:

The Government of Guam did not effectively manage case files. There is no system in place to track usage and location of participant files.

Effect:

The Government of Guam is in noncompliance with applicable eligibility requirements. Projected questioned costs exceed \$25,000, and known questioned costs of \$8,482 exist, as follows:

Costs Questioned Above	\$ 15,421
X Federal Share	<u>55%</u>
Total Questioned Cost	<u>\$ 8,482</u>

Identification as a Repeat Finding: 2016-008

Recommendation:

The responsible personnel should implement monitoring and recordkeeping controls over maintaining compliance with applicable eligibility requirements.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017

Finding No.: 2017-007
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas - Program Support
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Criteria:

1. In accordance with the applicable equipment management requirements, grantees that acquire equipment with Federal funds are required to perform a physical inventory of the property and reconcile results with property records at least once every two years. Such property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property. In addition, adequate maintenance procedures must be established to keep the property in good condition.
2. Reconciliation with inventory records, capital asset ledgers and the general ledger should be timely performed.

 Capital assets should be reviewed for ongoing pertinence to minimize the opportunity for misstatements and to identify retired assets that have been replaced, disposed, or that have no further value or use.
3. Capital assets should be recorded in accordance with the applicable capitalization policy.

Condition:

1. The Government of Guam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed.

We are unable to assess the overall cumulative monetary value of this deficiency. However, the table below summarizes each Government of Guam FY 2017 major program that has a level of total capital outlays over the past five years that is material to the major program.

Program CFDA #s	2017 Purchases	2016 Purchases	2015 Purchases	2014 Purchases	2013 Purchases	Total
15.875	\$ 2,338,541	4,704,637	4,744,016	2,420,836	2,853,009	17,061,039
20.205	\$ 672,394	937,606	204,102	625,334	5,557,352	7,996,788
66.600	\$ 44,775	121,799	0	202,311	121,291	490,176

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017

Finding No.: 2017-007, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas -
 Program Support
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Condition, Continued:

2. Inventory records, capital asset ledgers, and the general ledger are not reconciled or updated, as follows:

a) Approximately \$50M of construction in progress included consulting and project management costs dated 7 to 10 years old. Allocation by project has not been determined. An adjustment was subsequently recorded to transfer these project costs from construction in progress to depreciable assets and were allocated by project as of 09/30/17.

<u>Reference</u>	<u>Per Capital Asset Register</u>
C080600079	\$ 1,705,280
C100600802	6,231,563
C100600803	5,482,693
C100600808	4,833,602
C100601880	5,720,299
C100601881	6,498,226
C110601140	1,547,516
C120601240	2,079,936
C130601490	7,004,521
C130601491	2,115,599
C130601493	2,342,091
C130601492	<u>4,919,570</u>
	<u>\$50,480,895</u>

b) Construction in progress included projects of approximately \$92M that were 4 to 10 years old, of which \$35.6M was identified to be substantially completed as of 09/30/17. An adjustment was subsequently recorded to transfer these assets as depreciable as of 09/30/17.

<u>Description</u>	<u>Incurred as of 09/30/17</u>	<u>O/S Bal as of 9/30/17</u>
Guam Museum	\$25,376,849	\$1,491,379
REPLACEMENT OF YLIG BRIDGE	7,235,486	50,000
TUMON BAY IMPROVEMENTS	3,734,186	-
FARMERS CO-OP/DEDED0 FLEA MARKET	3,470,729	-
RTE.17 REHAB & WIDENING	<u>2,527,162</u>	-
TOTAL	<u>\$42,344,412</u>	<u>\$1,541,379</u>

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017

Finding No.: 2017-007, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas - Program Support
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Condition, Continued:

- c) \$4.6M of fully depreciated vehicles and equipment were scrapped and disposed. Related acquisition costs and accumulated depreciation were reported as of September 30, 2017. The net book value of each item is \$0. A subsequent adjustment was recorded to remove these assets as of 09/30/17.

<u>REF</u>	<u>Description</u>	<u>Cost</u>
FY2015	P046A04988-9/41 School buses for survey	\$ 705,591
FY2015	P046A02392-4/19 School buses for survey	305,596
FY2015	P916A03485-3/3 Tanker trucks	584,892
FY2015	P936P02858-Excavator w/bucket clam and hammer	178,000
FY2015	P906105242-Fire Truck	171,906
FY2015	P916A08549-Ambulance	138,327
FY2015	P016A03264-Driver's license system upgrade	179,375
FY2015	P036A00182-Compactor	447,981
FY2015	P926P00851-Fuel/Lube Truck	149,982
	Subtotal FY2015-	\$ 2,861,650
FY2016	P896A05068-6/6 GRMTA Passenger Buses for survey	\$ 319,134
FY2016	P966A07337-OTTAWA ROGUE HEIL GARGAGE (DPW)	110,874
FY2016	P876A05323-TRUCK W/ROLL OFF ATTACHMENT (DPW)	104,146
FY2016	P886A09451-PAVING MACHINE (DPW)	79,945
FY2016	P896P00247-TRUCK, REFUSE COLLECTION (DPW)	121,864
FY2016	P896P00986-BUS (DPW)	53,935
FY2016	P906P02626-DUMP TRUCK (DPW)	94,969
FY2016	P896P00987-BACKHOE LOADER (DPW)	55,941
FY2016	P896P00985-DUMP TRUCK ROLL OFF CHASSIS (DPW)	79,947
	Subtotal FY2016-	\$ 1,020,755
5621F	P896A07694-DUMP TRUCK	\$ 65,808
5621F	P916P02445-SCHOOL BUS 60 PASSENGERS	60,137
5621F	P916P02538-GRADER	175,000
5621F	P916P02539-SERVICE TIRE TRUCK	103,097
5621F	P006A04277-TABULATION EQUIPMENT MODEL 550	235,348
5621F	P096A06262-4WD PICK UP	142,338
	Subtotal FY2017-	\$ 781,728
	TOTAL	\$ 4,664,133

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017

Finding No.: 2017-007, Continued
 CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
 CFDA Program: 20.205 DOT Highway Planning and Construction
 CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas - Program Support
 Area: Equipment and Real Property Management
 Area: Capital Assets
 Questioned Costs: \$0

Condition, Continued:

- d) We were unable to verify the existence of \$489K of capital assets. The asset listing did not include sufficient information to identify locations or descriptions. The net book value of each item is \$0.

<u>REF</u>	<u>Description</u>	<u>Cost</u>
5621F	PACKER TRUCK	\$ 113,944
5621F	REFUSE COLLECTION TRUCK	139,663
5621F	TRACKER LOADER	<u>235,300</u>
		<u>\$ 488,907</u>

3. Capital assets were not recorded in accordance with the applicable capitalization policy. \$435K were less than the \$50,000 threshold per the applicable capitalization policy or were not capitalizable expenses. The net book value of each item is \$0.

<u>REF</u>	<u>Description</u>	<u>Cost</u>
5621F	FULL FEATURE PORTABLE RADIOS (23)	\$ 128,155
5621F	PERSONAL COMPUTERS	59,928
5621F	30 ea Computers Dell Optiplex GX270S 3.0	82,530
5621F	Purchase of Computer	75,833
5621F	Computer System, 26ea@ 3,421.62	<u>88,962</u>
		<u>\$ 435,408</u>

4. Construction costs were not easily identifiable by project. The capital asset subsidiary ledger included details of transactions from the general ledger and were not organized in a manner that could be identified by project.

Cause:

The processes over inventory, maintenance and reconciliation of capital assets are not routine. A reliable equipment management system has not been fully developed. Instead, the Division of Accounts within the Department of Administration utilizes multiple Excel worksheets for capital asset management purposes.

Effect:

The Government of Guam is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs as corrective action is in progress. This noncompliance applies to the following major programs, for which cumulative capital outlays over the past five years exceed FY 2017 materiality levels: CFDA numbers 15.875, 20.205, and 66.600.

Identification as a Repeat Finding: 2016-009.

GOVERNMENT OF GUAM

**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2017**

Finding No.: 2017-007, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
CFDA Program: 20.205 DOT Highway Planning and Construction
CFDA Program: 66.600 EPA Environmental Protection Consolidated Grants for the Insular Areas -
Program Support
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$0

Recommendation:

The Government of Guam should continue implementing controls over timely tagging all equipment and over performing the required future inventories and reconciliations in accordance with applicable equipment management requirements.

Capital assets should be recorded in accordance with the Government's capitalization policy. We recommend a policy be implemented to monitor replacements, disposals, transfers of assets and construction in progress by project.

The Division of Accounts should consider the acquisition of capital asset management software for the purpose of controlling, tracking, and recording changes that occur during an asset's lifetime. Such software should also facilitate the accumulation of project costs into multiple Work-In-Progress assets which can be transferred to the capital asset register upon project completion. Finally, the Division of Accounts should investigate whether additional personnel well versed in accounting reconciliations and processes may be required to allow for timely review and recordation of capital assets, especially given the substantial capital asset construction that is undertaken by the Government of Guam. Furthermore, coordination with DPW and other engineering firms must occur at project commencement so that accounts are established to track capital costs and to allow for the preparation of periodic reports documenting a project's percentage of completion.

Equipment management has been a continuing finding in prior audits, and Government of Guam management is still in the process of effecting corrective action to develop and fund an equipment management system.

Views of Auditee and Planned Corrective Actions:

The Government of Guam describes corrective action in the Corrective Action Plan. See full response in the Corrective Action Plan.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2017

	<u>Prior Year Listed Unresolved Questioned Costs</u>	<u>Questioned Costs Resolved During the Year</u>	<u>End of Year</u>
Unresolved Questioned Costs FY 15	\$ 348	\$ 348	\$ -
Unresolved Questioned Costs FY 16	<u>432,056</u>	<u>-</u>	<u>432,056</u>
	\$ <u>432,404</u>	\$ <u>348</u>	432,056
 Add Questioned Costs for FY 2017			<u>135,451</u>
 Total Unresolved Questioned Costs at September 30, 2017			\$ <u>567,507</u>

Unresolved Questioned Costs by CFDA Program:

<u>CFDA #</u>	<u>Program Name</u>	<u>2017</u>	<u>2016</u>	<u>Total</u>
15.875	DOI	\$ 61,500	\$ 63,385	\$ 124,885
66.600	EPA	11,069	-	11,069
93.224	Health Center Program	-	966	966
93.243	Substance Abuse and Mental Health Services	54,400	204,110	258,510
93.778	Medicaid	<u>8,482</u>	<u>163,595</u>	<u>172,077</u>
	Totals	\$ <u>135,451</u>	\$ <u>432,056</u>	\$ <u>567,507</u>



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

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June 25, 2018

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Provided below is Government of Guam's Corrective Action Plan for Findings noted on Government of Guam's Single Audit Report for Year Ended September 30, 2017.

Finding No.: 2017-001

Responding Agency: Department of Administration

Responsible personnel: Director of the Department of Public Health and Social Services or Designee

1. Government of Guam's GAS of Federal Grants will meet with DPHSS Management of the program to assist in the development of improved procedures in order to closely monitor the reconciliation and reporting process so that it complies with required monthly reporting and reconciliations of SNAP benefits and all information contained in the reports are accurate and meets all applicable reporting requirements.

Finding No.: 2017-002

Responding Agency: Department of Administration

Responsible personnel: Director of the Department of Public Health and Social Services or Designee

1. Government of Guam's GAS of Federal Grants will meet with DPHSS Management of the program to assist in the development of improved procedures in order to closely monitor the reconciliation process to ensure that daily reconciliations are completed accurately and with applicable special tests and provisions requirements.

Finding No.: 2017-003

Responding Agency: Department of Administration

Responsible personnel: Director of Public Works or Designee

1. Department of Administration's Director or Designee will seek the assistance from Chief of Procurement (DOA, GSA) to enforce compliance of applicable procurement and suspension and debarment requirements to Department of Public Works and to request procurement files that validates compliance. Memorandum addressed to the DPW's Director will be sent no later than 30 days after issuance of FY17 Single Audit Report to provide said documentation.

Finding No.: 2017-004

Responding Agency: Department of Administration,

Responsible personnel: Administrator of Guam Environmental Protection Agency or Designee

1. Department of Administration's Director or Designee will seek the assistance from Chief of Procurement (DOA, GSA) to enforce compliance of applicable procurement and suspension and debarment requirements to Department of Public Works and to request procurement files that validates compliance. Memorandum addressed to the GEPA's Administrator will be sent no later than 30 days after issuance of FY17 Single Audit Report to provide said documentation.

Finding No.: 2017-005

Responding Agency: Department of Administration

Responsible personnel: Director of Guam Behavioral Health and Wellness Center or Designee

1. Department of Administration's Director or Designee will seek the assistance from Chief of Procurement (DOA, GSA) to enforce compliance of applicable procurement and suspension and debarment requirements to DPHSS and to request procurement files that validates compliance.
2. DOA's General Accounting Supervisor (GAS), Federal Branch will meet with program coordinator for Project Launch within 30 days after issuance of FY17 Single Audit report to request for copies of procurement files for transactions listed to demonstrate compliance. A memorandum or e-mail will be sent no later than 30 days after this initial meeting to reiterate the importance of maintaining complete procurement records for any product/services acquired.

DOA's GAS will also request for training from GSA for personnel in charge of the program to get the information they need to comply with procurement regulations.

Finding No.: 2017-006

Responding Agency: Department of Administration

Responsible personnel: Director of Public Health and Social Services or Designee

1. Government of Guam's GAS of Federal Grants will meet with DPHSS Management of the program to assist in the development and implementation of improved procedures for monitoring and recordkeeping controls to maintain compliance with applicable eligibility requirements. A monthly review of records will be conducted to ensure consistency of processes.

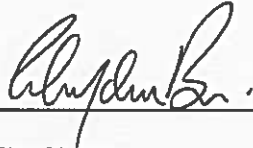
Finding No.: 2017-007

Responding Agency: Department of Administration

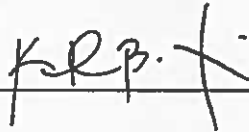
Responsible personnel: Director or Designee

1. The Government of Guam Department of Administration's Division of Accounts requested funding assistance from the U.S. Department of Interior, Office of Insular Affairs Technical Assistance Program to acquire much needed resources for the fixed assets section to help address current and prior audit findings. This includes enhancing our current Fixed Asset Software and hardware that will also track construction projects by percentage of completion, computers/ dual screens to enhance efficiency in providing necessary reports required, transportation requirements, funding for equipment management, training for Fixed Asset personnel as it pertains to compliance with federal and state regulations so that personnel assigned are well versed on providing guidance to agencies.
2. To reorganize and/or simplify and reduce the time necessary to process reconciliation amongst other reports required by management to maintain financial integrity and its current financial unqualified status. This project will result in the following:
 - Provide fixed assets training to those assigned as property custodians
 - Decrease the amount of time it takes to reconcile reports
 - Decrease the number of unused equipment items due to lack of supplies
 - Provide the much need software and hardware to replace the older equipment for efficiency.
 - Capital assets will be recorded in accordance with the Governments Capitalization Policy which includes monitoring replacements, disposals, transfer of assets and construction in progress by project.

3. DOA will request for mandatory attendance of a Fixed Asset personnel for any project commencement ensure proper accounts are established to help with the preparation of periodic reports which document a project's percentage of completion.
4. DOA will work with non-component unit government agencies, departments, or divisions to obtain their capital assets reports timely to so that it will be included in the Capital Asset report.



Edward M Birn, Director



Kathrine B Kakigi, Financial Manager



Armi Lynn R Lujan, General Accounting Supervisor, Federal Grants