



## OFFICE OF PUBLIC ACCOUNTABILITY

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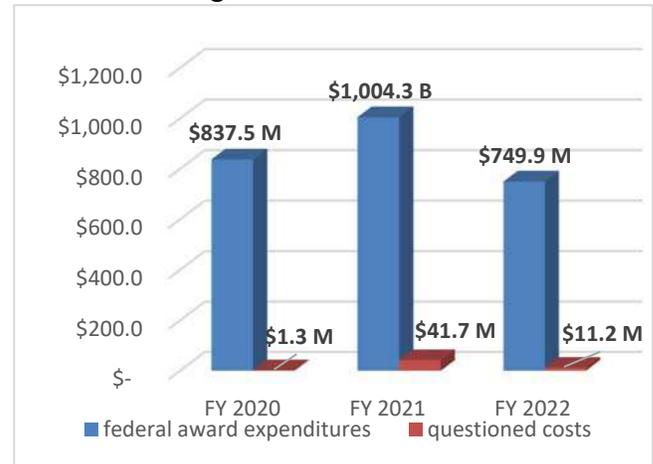
### Government of Guam – FY 2022 Compliance Highlights

November 21, 2023

Hagåtña, Guam – The Office of Public Accountability has released the Government of Guam’s (GovGuam) fiscal year (FY) 2022 Report on Compliance and Management Letter. GovGuam and its line agencies’ expenditures in federal awards have decreased from \$1 billion (B) in FY 2021 to \$750 million (M) in FY 2022. GovGuam did not qualify as a low risk auditee.

#### FY 2022 Audit Issuance Significantly Delayed

Ernst & Young LLP (EY) were appointed auditors for the government-wide financial statements, replacing Deloitte and Touche LLP as Deloitte Guam exited the Deloitte network and wound down its business. Although EY had performed the audit of certain component units in previous years, this was their first year for the government-wide audit.



A significant part of the delay in the completion and issuance of the Basic Financial Statements, Report on Compliance, and other audit reports can be attributed to the change in auditors and EY’s need to gather information and assemble data as part of their audit procedures for an initial first year audit, which was not transferred from Deloitte.

In addition, certain GovGuam line agencies that receive federal awards did not provide requested documents to EY in a timely manner. All agencies are put on notice that the FY 2023 Report on Compliance is expected to be issued by March 31, 2024, and should ensure all requested documents are provided to the independent auditors in order to meet this deadline. This will ensure the Guam Legislature and other stakeholders have audited information in time for the FY 2025 budget preparation.

#### Internal Control Over Financial Reporting

EY rendered an unmodified opinion related to the preparation of GovGuam’s financial statements, but identified the following eight material weaknesses related to GovGuam’s internal control over financial reporting:

- Financial Management Information System
- General Ledger and Schedule of Expenditures of Federal Awards Reconciliations
- GASB 24 Transaction for SNAP and P-EBT
- Revenue Recognition
- OPEB Census Data
- Implementation of GASB 87

- Taxes Receivable
- Capital Assets/Equipment Management

### Internal Control Over Major Federal Programs

For GovGuam’s compliance for major federal programs, EY rendered qualified opinions on ten federal programs and unmodified opinions on each of the other major federal programs. The following findings received qualified opinions due to GovGuam’s noncompliance with the corresponding requirements:

<b>Finding #</b>	<b>ALN</b>	<b>Program or Cluster Name</b>	<b>Compliance Requirement</b>
2022-010	10.551 10.561	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP) and State Administrative Matching Grants for the SNAP.	Special Tests and Provisions – EBT
2022-011	10.551 10.561	SNAP Cluster: Supplemental Nutrition Assistance Program (SNAP) and State Administrative Matching Grants for the SNAP.	Special Tests and Provisions - ADP
2022-008	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management
2022-013	15.875	Economic, Social and Political Development of the Territories	Procurement and Suspension and Debarment
2022-015	17.225	Unemployment Insurance	Special Tests and Provisions
2022-017	21.023	Emergency Rental Assistance Program	Reporting
2022-018	21.023	Emergency Rental Assistance Program	Special Tests and Provisions
2022-020	21.026	Homeowner Assistance Fund	Reporting
2022-022	21.027	Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment
2022-023	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring
2022-024	84.425	Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor)	Subrecipient Monitoring
2022-008	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Equipment and Real Property Management
2022-025	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Procurement and Suspension and Debarment
2022-027	93.569	Community Services Block Grant	Eligibility
2022-030	93.575 93.596	CCDF Cluster	Reporting

### Report on Internal Control Over Compliance

EY identified 14 material weaknesses and 12 significant deficiencies, with total federal questioned costs of \$11.2M. Several of these findings are also repeat findings from prior year audits. The findings fit the following areas of deficiencies:

#### *Eligibility*

- Material weakness (2022-027)
- Significant deficiencies (2022-014, 2022-016, 2022-026, 2022-029, 2022-031)
- Repeat findings (2022-014, 2022-016, and 2022-029)

#### *Special Test and Provisions*

- Material weaknesses (2022-010, 2022-011, 2022-015, 2022-018)
- Significant deficiency (2022-033)

- Repeat findings (2022-010 and 2022-015)

#### *Reporting*

- Material weaknesses (2022-017, 2022-020, 2022-030)
- Significant deficiencies: (2022-009, 2022-032)
- Repeat findings (2022-009, 2022-017, and 2022-032)

#### *Procurement and Suspension and Debarment*

- Material weaknesses (2022-013, 2022-022, 2022-025)
- All three findings were repeat findings.

#### *Other Areas of Deficiencies*

- Capital Assets/Equipment: Material weakness (2022-008)
- Period of Performance: Significant deficiency (2022-012)
- Cash Management: Significant deficiency (2022-019)
- Sub-recipient Monitoring: Material weaknesses (2022-023, 2022-024)
- Allowable Costs/Cost Principles: Significant deficiency (2022-028, 2022-021)

### **Management Letter**

EY issued a management letter with comments on deficiencies related to internal control over financial reporting for the Department of Administration (DOA) and several GovGuam entities. DOA's Division of Accounts received the majority of the comments identifying deficiencies as follows:

- 1.) The General Fund (GF) recorded an advance of \$726 thousand (K) due from the Guam Legislature since 2015 that auditors recommend DOA pursue collection and consider such through offset of budget appropriations.
- 2.) Certain Special Revenue Funds have incurred expenditures in excess of revenues or grants received, which DOA should limit.
- 3.) Five comments related to Deposits and Other liabilities, where DOA should consider current staffing patterns and how best to facilitate timely completion of the audit process.
- 4.) Approximately \$1.5M of invoices for bus operations were not recorded as of September 30, 2022.
- 5.) DOA needs to review missing Transaction Processing System receipt number sequences and monitor the reason for such occurrences at least on a monthly or quarterly basis.
- 6.) Approximately \$28M (322 items) of fully depreciated vehicles, equipment, and fixtures older than 20 years are still on the capital asset register as of September 30, 2022. DOA should consider checking if the items were disposed or are still existing.
- 7.) Major governmental expenditures (including a transaction for \$555K) include amounts that were not recorded in the correct period, which resulted in a projected understatement of prior year expenditures and liabilities of approximately \$1,878K.
- 8.) The GF includes amounts due from the Guam Memorial Hospital Authority of approximately \$7.8M, which had a proposed adjustment included in the summary of uncorrected misstatements to allow or write off the receivable. However, the auditors recommended that Government receivables due from GMHA be considered for collectability.

The following five agencies received a management letter comment, with some being reiterated in the prior year audits:

- 1.) Child Support Enforcement Division/Division of Accounts: Unclaimed Checks – Child support (identified in prior year audits)
- 2.) Department of Corrections: Unrecorded Liabilities (identified in prior year audits)
- 3.) Guam Fire Department: Accrued Payroll
- 4.) Unified Courts: Monitoring of Probation Accounts
- 5.) Guam Department of Revenue and Taxation: Tax Credits

To view the reports in their entirety, visit our website at [www.opaguam.org](http://www.opaguam.org).