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From: Speaker's Office <speaker@guamlegislature.org>
Sent: Monday, August 31, 2020 11:05 AM
To: Clerks Office
Cc: Rennae Meno
Subject: M&C Fwd: OPA released GovGuam FY 2019 Single Audit Reports
Attachments: GGW FY 2019 Compliance HL - final.pdf; GovGuam_ml19 [FINAL 8.27.20].pdf; GovGuam_single audit 19 [FINAL 08.27.20].pdf; GovGuam_sas19 [FINAL 08.27.20].pdf

08-31-20	9:29 AM	08-30-20	GovGuam FY 2019 Single Audit Reports.*	Office of Public Accountability	35GL-20-2177

Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Chris Rivera** <crivera@guamopa.com>
Date: Mon, Aug 31, 2020 at 9:29 AM
Subject: OPA released GovGuam FY 2019 Single Audit Reports
To: Office of Public Accountability <admin@guamopa.com>
Cc: Benjamin Cruz <bjcruz@guamopa.com>, Thyrza Bagana <tbagana@guamopa.com>

Hafa Adai!

Transmitted here is the Government of Guam FY 2019 Single Audit Reports, Management Letter, and Letter to Those Charged with Governance.

These reports may be found on our website at www.opaguam.org.

Thank you.

Chris Rivera
Accountability Auditor

Office *of* Public Accountability - Guam
"Auditing for Good Governance"

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Government of Guam – FY 2019 Compliance Highlights

August 30, 2020

Hagåtña, Guam – The Office of Public Accountability has released the Government of Guam's (GovGuam) fiscal year (FY) 2019 Single Audit Reports on Internal Control over Financial Reporting and Compliance, Report on Compliance for Each Major Federal Programs and Report on Internal Control over Compliance. Independent auditors Deloitte & Touche, LLP rendered qualified opinions on two of the six major federal programs: the Supplemental Nutrition Assistance Program (SNAP) and Economic, Social and Political Development of Territories. The remaining four received unmodified (clean) opinions. This is an improvement from the prior year's qualified opinions on four major federal programs.

Qualified opinions were due to the ineffective monitoring of compliance with the Automatic Data Processing (ADP) and Electronic Benefit Transfer (EBT) systems' requirements, non-compliance with bi-annual physical inventory, and untimely reconciliation of capital assets. The auditors identified eight findings in internal controls. FY 2019 findings resulted in questioned costs totaling $1.1 million (M), which increased from prior years' unresolved questioned costs of $549 thousand (K) to $1.7M.

Federal Program Funding

GovGuam and the line agencies expended $377.8M in federal awards from 15 grantors in FY 2019. The largest grant came from the U.S. Department of Health and Human Services at $178.0M for the various welfare programs, such as Medicaid at $115.8M and Children's Health Insurance Program at $29.5M. The second largest was the U.S. Department of Agriculture at $111.2M, of which $100.5M was for SNAP, better known as food stamps. The third largest was the U.S. Department of Transportation at $39.8M of which $37.8M was for Highway Planning and Construction.

GovGuam component units expended $192.8M in federal awards. The top three agencies were Guam Department of Education at $68.0M, Guam Housing and Urban Renewal Authority at $51.5M and University of Guam at $30.0M. For FY 2019 GovGuam also received non-cash awards of $100.5M.

Single Audit Findings

In FY 2019, eight findings were identified in the Single Audit, of which three were repeat findings from the prior year. The findings increased by four from the previous year. Four findings were material weaknesses and four were significant deficiencies. As of FY 2019, total questioned costs of $1.1M accumulated to $1.7M.

SNAP-Eligibility and Special Tests and Provisions (2019-001, 2019-002, 2019-003), Questioned Costs $594K

- Significant deficiencies (2019-001); material weaknesses (2019-002, 2019-003).
- Second consecutive year that GovGuam's payment error rate exceeded 105% of the national performance measure.
- Department of Public Health and Social Services did not effectively monitor compliance with ADP and EBT systems' requirements.
- Finding 2019-003 is a repeat from FY 2018.

Doc. No. 35GL-20-2177.*

General Ledger and Schedule of Expenditures and Federal Awards (SEFA) Reconciliations (2019-007)

- Material weakness.
- GovGuam did not perform timely reconciliations and monitoring controls over completeness of SEFA were not effective. Specifically:
    a) $4.0M expenditures remain unreconciled and proposed for adjustments; and
    b) $4.2M recorded expenditures on sub-recipient transactions were not reconciled in the SEFA.

Economic, Social and Political Development of Territories - Equipment and Real Property Management and Capital Assets (2019-008)

- Continuing material weakness from prior audits.
- GovGuam's processes over inventory, maintenance and reconciliation of capital assets are not routine. Specifically:
    a) Bi-annual physical inventory and reconciliation were not performed; and
    b) Untimely reconciliation of capital assets resulted to 32 post-closing adjustments.
- GovGuam requires more funding and human resources to fully develop a reliable equipment management system. Over the years, it is still in the process of effecting corrective actions to develop and fund the system.

Economic, Social, and Political Development of Territories - Procurement and Suspension Debarment (2019-004), Questioned Costs $517K

- Repeat significant deficiency from FY 2018.
- Emergency procurement was used eight times to procure services for the Medical Referral Assistance Office from the same contractor. Four procurement files did not have sufficient documentation to substantiate existing emergency conditions.

Medical Assistance Program - Eligibility and Reporting (2019-2005 and 2019-006), Questioned Costs $4K

- Significant deficiencies.
- GovGuam did not effectively manage case files and monitor eligibility determination as such one case file was not available and one household member was not subjected to eligibility verification. GovGuam did not enforce monitoring controls over reconciliations and compliance with reporting requirements as some expenditures did not have accounting records.

Management Letter

The auditors issued a separate management letter identifying 21 findings for nine GovGuam agencies. The findings significantly increased by 17 from four in the prior year. With the highest number of findings, the Department of Administration (DOA) was recommended to: 1) hire experienced personnel to assist in the scrutiny of asset and liability accounts; 2) investigate validity of recorded transactions; 3) perform timely reconciliations; 4) ensure proper recording of all transactions; and 5) coordinate with responsible agencies on the submission of required reports, collections of accounts, and seeking necessary legislation. Other agencies were advised to perform timely recording of transactions, perform reconciliation of accounts, update documentation, and timely submit financial information to DOA. The Department of Revenue and Taxation needs to perform annual analysis of income tax provision and provide timely tax credit information to DOA.

In addition, the auditors issued four findings relative to the information technology environment.

To view the reports in their entirety, visit our website at www.opaguam.org.

GOVERNMENT OF GUAM

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2019

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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 Lourdes A. Leon Guerrero
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, 2019, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, and have issued our report thereon dated August 26, 2020. Our report includes a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19. Other auditors audited the financial statements of the GovGuam Retirement Fund, the Antonio B. Won Pat International Airport Authority, the Guam Housing Corporation, the Guam Economic Development Authority, 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 Educational Telecommunications Corporation, the Guam Housing and Urban Renewal Authority, 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, 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 Economic Development Authority, the Guam Housing Corporation, and the Guam Preservation Trust. The findings, if any, included in those reports are not included herein.

Deloitte.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-007 and 2019-008 that we consider to be material weaknesses.

Compliance and Other Matters

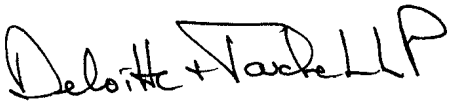
As part of obtaining reasonable assurance about whether GovGuam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Schedule of Findings and Questioned Costs. 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.



August 26, 2020

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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 Lourdes A. Leon Guerrero
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, 2019. 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 3b 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, 2019. Our audit, described below, did not include the operations of the entities identified in Note 3b 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.

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 2019-002, 2019-003 and 2019-008 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
2019-002		SNAP Cluster	Special Tests and Provisions
2019-003		SNAP Cluster	Special Tests and Provisions
2019-008	15.875	Economic, Social and Political Development of the Territories	Equipment and Real Property Management

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

Qualified Opinion on the SNAP Cluster and CFDA 15.875 Economic, Social and Political Development of the Territories

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 and CFDA 15.875 Economic, Social and Political Development of the Territories for the year ended September 30, 2019.

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, 2019.

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 2019-001, 2019-004, 2019-005, and 2019-006. 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 Schedule of Findings and Questioned Costs. 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.

GovGuam is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. GovGuam's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Deloitte.

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 2019-002, 2019-003, and 2019-008 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 2019-001, 2019-004, 2019-005, and 2019-006 to be significant deficiencies.

GovGuam's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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.

GovGuam is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. GovGuam's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Deloitte.

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 GovGuam as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements. We issued our report thereon dated August 26, 2020, which contained unmodified opinions on those financial statements and which report included a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19. 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

August 26, 2020

GOVERNMENT OF GUAM

Summary of Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2019

Federal Agency	Federal Expenditures
U.S. Department of Agriculture	$ 111,220,065
U.S. Department of Commerce	2,985,404
U.S. Department of Defense	5,054,844
U.S. Department of Housing and Urban Development	230,298
U.S. Department of the Interior	18,476,675
U.S. Department of Justice	5,031,309
U.S. Department of Labor	5,557,943
U.S. Department of Transportation	39,805,240
National Foundation on the Arts and the Humanities	458,921
U.S. Environmental Protection Agency	3,008,258
U.S. Department of Energy	503,446
U.S. Department of Education	2,022,436
U.S. Department of Health and Human Services	177,988,592
Corporation for National and Community Service	1,306,015
U.S. Department of Homeland Security	4,120,163
GRAND TOTAL	$ 377,769,609

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, 2019

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	$ 108,050	$ 54,065
10.170	Specialty Crop Block Grant Program - Farm Bill	190,158	190,158
10.535	Snap Fraud Framework Implementation Grant	21,911	
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	100,532,157	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,917,121	239,932
	Subtotal SNAP Cluster	102,449,278	239,932
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	8,129,189	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	32,604	
10.579	Child Nutrition Discretionary Grants Limited Availability	(3,785)	
10.664	Cooperative Forestry Assistance	277,661	14,579
	Community Facilities Loans and Grants Cluster:		
10.766	Community Facilities Loans and Grants	14,999	
	Subtotal Community Facilities Loans and Grants Cluster	14,999	
	U.S. DEPARTMENT OF AGRICULTURE TOTAL	$ 111,220,065	$ 498,734
	U.S. DEPARTMENT OF COMMERCE		
	Economic Development Cluster		
11.307	Economic Adjustment Assistance	$ 84,207	$ 84,207
	Subtotal Economic Development Cluster	84,207	84,207
11.407	Interjurisdictional Fisheries Act of 1986	11,962	
11.419	Coastal Zone Management Administration Awards	1,072,591	21,058
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	68,934	34,156
11.437	Pacific Fisheries Data Program	84,120	
11.441	Regional Fishery Management Councils	-	
11.454	Unallied Management Projects	-	
11.467	Meteorologic and Hydrologic Modernization Development	929,319	
11.472	Unallied Science Program	111,928	
11.482	Coral Reef Conservation Program	425,258	224,460
11.549	State and Local Implementation Grant Program	197,085	
	U.S. DEPARTMENT OF COMMERCE TOTAL	$ 2,985,404	$ 363,881

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	$ 120,428	
12.401	National Guard Military Operations and Maintenance (O&M) Projects	3,253,107	
12.600	Community Investment	667,753	
12.607	Community Economic Adjustment Assistance for Realignment or Closure of Military Installation	4,308	
12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	216,047	
12.618	Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation	793,201	$ 411,996
	U.S. DEPARTMENT OF DEFENSE TOTAL	$ 5,054,844	$ 411,996
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.267	Continuum of Care Program	$ 230,298	
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	$ 230,298	
	U.S. DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	$ 1,021,702	
15.611	Wildlife Restoration and Basic Hunter Education	856,328	
	Subtotal Fish and Wildlife Cluster	1,878,030	
15.615	Cooperative Endangered Species Conservation Fund	447,337	
15.622	Sportsfishing and Boating Safety Act	5,354	
15.634	State Wildlife Grants	34,339	
15.875	Economic, Social, and Political Development of the Territories	15,684,569	$ 9,914,968
15.904	Historic Preservation Fund Grants-In-Aid	427,046	
	U.S. DEPARTMENT OF THE INTERIOR TOTAL	$ 18,476,675	$ 9,914,968

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	$ 39,341	$ 35,179
16.527	Supervised Visitation, Safe Havens for Children	-	
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	-	
16.540	Juvenile Justice and Delinquency Prevention Program	49,641	
16.554	National Criminal History Improvement Program (NCHIP)	788,284	
16.575	Crime Victim Assistance	1,107,870	361,582
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(6,284)	
16.582	Crime Victim Assistance/Discretionary Grants	-	
16.585	Drug Court Discretionary Grant Program	186,449	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	-	
16.588	Violence Against Women Formula Grants	572,147	424,775
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	23,133	
16.593	Residential Substance Abuse Treatment for State Prisoners	46,916	42,595
16.606	State Criminal Alien Assistance Program	242,449	
16.710	Public Safety Partnership and Community Policing Grants	500,417	
16.727	Combating Underage Drinking	-	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	557,384	482,095
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	105,087	97,913
16.750	Support for Adam Walsh Act Implementation Grant Program	138,822	
16.751	Edward Byrne Memorial Competitive Grant Program	20,720	20,720
16.754	Harold Rogers Prescription Drug Monitoring Program	203,989	
16.812	Second Chance Act Reentry Initiative	221,213	
16.828	Innovative Responses to Behavior in the Community: Swift, Certain, and Fair Supervision Program	112,624	
16.922	Equitable Sharing Program	121,107	
	U.S. DEPARTMENT OF JUSTICE TOTAL	$ 5,031,309	$ 1,464,859
	U.S. DEPARTMENT OF LABOR		
17.002	Labor Force Statistics	$ 55,081	
17.005	Compensation and Working Conditions	67,696	
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	390,276	
17.801	Jobs for Veterans State Grants	121,097	
	Subtotal Employment Service Cluster	511,373	
17.235	Senior Community Service Employment Program	851,606	
	WIOA Cluster:		
17.258	WIOA Adult Program	674,867	
17.259	WIOA Youth Activities	777,845	
17.278	WIOA National Dislocated Worker Formula Grants	718,808	
	Subtotal WIOA Cluster	2,171,520	
	BALANCE FORWARD	$ 3,657,276	

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. DEPARTMENT OF LABOR		
	BALANCE FORWARD	$ 3,657,276	
17.273	Temporary Labor Certification for Foreign Workers	70,220	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	864,142	
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	
17.285	Apprenticeship USA Grants	654,493	
17.504	Consultation Agreements	311,812	
17.604	Safety and Health Grants	-	
	U.S. DEPARTMENT OF LABOR TOTAL	$ 5,557,943	
	U.S. DEPARTMENT OF TRANSPORTATION		
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	$ 37,768,550	
	Subtotal Highway Planning and Construction Cluster	37,768,550	
20.218	Motor Carrier Safety Assistance	295,626	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	78,892	
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	5,778	
	Subtotal Federal Transit Cluster	5,778	
20.509	Formula Grants for Rural Areas and Tribal Transit Program	745,527	
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	556,105	$ 40,995
20.602	Occupant Protection Incentive Grants	65,171	
20.610	State Traffic Safety Information System Improvement Grants	110,703	
20.616	National Priority Safety Programs	102,809	
	Subtotal Highway Safety Cluster	834,788	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	76,079	
	U.S. DEPARTMENT OF TRANSPORTATION TOTAL	$ 39,805,240	$ 40,995
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
45.025	Promotion of the Arts Partnership Agreements	$ 282,073	$ 117,475
45.310	Grants to States	176,848	
	NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL	$ 458,921	$ 117,475

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.040	State Clean Diesel Grant Program	$ 70,685	$ 70,685
66.600	Environmental Protection Consolidated Grants for the Insular Areas-Program Support	2,937,573	
66.804	Underground Storage Tank (UST) Prevention, Detection and Compliance Program	-	
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	$ 3,008,258	$ 70,685
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	$ 246,335	
81.042	Weatherization Assistance for Low-Income Persons	254,472	
81.119	State Energy Program Special Projects	2,639	
	U.S. DEPARTMENT OF ENERGY TOTAL	$ 503,446	
	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	1,508,013	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	120	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	11,609	
84.403	Consolidated Grant to the Outlying Areas	502,694	
	U.S. DEPARTMENT OF EDUCATION TOTAL	$ 2,022,436	
	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	$ -	
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	30,496	
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	69,161	$ 69,161
	Aging Cluster:		
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	684,147	
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	1,353,060	
93.053	Nutrition Services Incentive Program	394,817	
	Subtotal Aging Cluster	2,432,024	-
	BALANCE FORWARD	$ 2,531,681	$ 69,161

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

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	$ 2,531,681	$ 69,161
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	117,453	
93.052	National Family Caregiver Support, Title III, Part E	379,297	
93.069	Public Health Emergency Preparedness	61,073	
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	262,626	
93.077	Family Smoking Prevention and Tobacco Control Act Regulatory Research	88,154	
93.103	Food and Drug Administration Research	2,196	
93.110	Maternal and Child Health Federal Consolidated Programs	33,056	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Program	887,862	
93.127	Emergency Medical Services for Children	84,514	
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,422	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	38,663	
93.189	Health Education Training Centers Continuing Educational Support for Health Professionals Serving in Undeserved Communities	-	
93.217	Family Planning Services	167,304	
	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)	2,405,719	
	Subtotal Health Center Program Cluster	2,405,719	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,992,527	16,400
93.268	Immunization Cooperative Agreements	1,193,622	10,000
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	930,937	
93.324	State Health Insurance Assistance Program	66,750	
93.369	ACL Independent Living State Grants	15,536	
93.377	Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P.R.	162,466	
93.504	Family to Family Health Information Centers	69,130	
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	177,403	
	BALANCE FORWARD	$ 11,669,391	$ 95,561

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

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	$ 11,669,391	$ 95,561
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	1,114,903	
	Subtotal TANF Cluster	1,114,903	
93.560	Family Support Payments to States Assistance Payments	1,197,752	
93.563	Child Support Enforcement	3,852,133	
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	6,973,914	
	Subtotal CCDF Cluster	6,973,914	
93.597	Grants to States for Access and Visitation Programs	62,641	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	276,230	
93.667	Social Services Block Grant	2,618,886	
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	10,663	
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	210,125	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	1,862	
93.767	Children's Health Insurance Program	29,516,130	
	Medicaid Cluster:		
93.778	Medical Assistance Program	115,843,414	
	Subtotal Medicaid Cluster	115,843,414	
93.788	Opioid STR	140,490	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for the Infectious Diseases (ELC)	128,024	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	931,581	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	119,940	
93.917	HIV Care Formula Grants	285,794	
93.945	Assistance Programs for Chronic Disease Prevention and Control	792,158	
93.958	Block Grants for Community Mental Health Services	346,664	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	993,579	11,050
93.991	Preventive Health and Health Services Block Grant	243,346	
93.994	Maternal and Child Health Services Block Grant to the States	658,972	
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	$ 177,988,592	$ 106,611

See accompanying notes to Schedule of Expenditures of Federal Awards.

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Expenditures	Amounts Passed Through To Subrecipients
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
94.003	State Commissions	$ 250,367	
94.006	AmeriCorps	884,227	$ 884,227
94.009	Training and Technical Assistance	171,421	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	$ 1,306,015	$ 884,227
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	$ 497,614	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	901,056	
97.042	Emergency Management Performance Grants	887,623	
97.047	Pre-Disaster Mitigation	627,828	$ 575,156
97.067	Homeland Security Grant Program	1,206,042	
	U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL	$ 4,120,163	$ 575,156
	TOTAL EXPENDITURES OF FEDERAL AWARDS	$ 377,769,609	$ 14,449,587

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, 2019

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 GovGuam are included within the scope of the audit. The U.S. Department of the Interior has been designated as GovGuam'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, 2019. 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 GovGuam 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 GovGuam 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, 2019 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, 2019.

3. Summary of Significant Accounting Policies, Continued

The federal expenditure totals for the excluded departments and component units as of September 30, 2019, are as follows:

Department or Component Unit		Federal Expenditure Total
Antonio B. Won Pat International Airport Authority	$	8,181,494
GovGuam Retirement Fund	$	-
Guam Community College	$	10,506,657
Guam Department of Education	$	67,980,510
Guam Economic Development Authority	$	-
Guam Educational Telecommunications Corporation	$	-
Guam Housing and Urban Renewal Authority	$	51,529,564
Guam Housing Corporation	$	-
Guam Memorial Hospital Authority	$	478,806
Guam Power Authority	$	1,385,472
Guam Preservation Trust	$	-
Guam Visitors Bureau	$	-
Guam Waterworks Authority	$	21,801,439
Port Authority of Guam	$	1,049,444
University of Guam	$	29,865,717

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

c. Cost Allocation:

GovGuam has a plan for the allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2019 federal awards programs are based on 2019 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 GovGuam. 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, 2019, GovGuam had the following noncash award:

U.S. Department of Agriculture CFDA #10.551	
SNAP EBT payments	$ 100,532,157
Total SNAP EBT payments reported on the Schedule of Expenditures of Federal Awards	$ 100,532,157

GOVERNMENT OF GUAM

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2019

		2019 Expenditures
Federal Grants Assistance Fund:		
Total expenditures		$ 381,652,814
Less transfers in from other funds		(17,848,170)
Plus transfers out to other funds		9,184,284
Federal expenditures, transfers, and other uses		372,988,928
CFDA #		
	Superior Court of Guam:	
16.554	National Criminal History Improvement Program (NCHIP)	788,284
16.585	Drug Court Discretionary Grant Program	186,449
16.750	Support for Adam Walsh Act Implementation Grant Program	135,059
16.812	Second Chance Act Reentry Initiative	221,213
16.828	Swift Certain and Fair Sanctions Program	112,624
16.922	Equitable Sharing Program	121,107
84.403	Consolidated Grant to the Outlying Areas	502,694
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	307,532
	Fund 105 Community Health Centers:	
93.224	Health Centers Program	2,405,719
	Total Federal Expenditures Subject to Audit	$ 377,769,609

GOVERNMENT OF GUAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

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? Yes
3. Significant deficiency(ies) identified? None reported

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
   - 15.875: 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:

CFDA Numbers	Name of Federal Program or Cluster
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the SNAP
11.467	Meteorologic and Hydrologic Modernization Development
15.875	Economic, Social and Political Development of the Territories
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
93.563	Child Support Enforcement
	Medicaid Cluster:
93.778	Medical Assistant Program

GOVERNMENT OF GUAM

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

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

Reference Number	Finding
2019-007	General Ledger and SEFA Reconciliations
2019-008	Capital Assets

Section III - Federal Award Findings and Questioned Costs

Reference Number	CFDA Number	Finding	Questioned Costs
2019-001	10.551/10.561	Eligibility	$ 589,871
2019-002	10.551/10.561	Special Tests and Provisions – ADP System	3,935
2019-003	10.551/10.561	Special Tests and Provisions – EBT Reconciliation	-
2019-004	15.875	Procurement and Suspension and Debarment	517,250
2019-008	15.875	Equipment and Real Property Management	-
2019-005	93.778	Eligibility	2,312
2019-006	93.778	Reporting	-
		Total Federal Questioned Costs	$ 1,113,368

Finding No.: 2019-001
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Eligibility
Liability Amount: $589,871

Criteria:

A State's eligibility and benefit amount determinations, both underpayment and overpayment, and the correctness of actions to deny, terminate, or suspend benefits must be accurate. The payment error rate is the combined value of overpayments and under payments to participating households, and any State with a payment error rate greater than 6 percent is required to effect corrective action. A State with persistently high error rates is assessed fiscal liabilities based on the amount of benefits issued in error. A liability amount shall be established when, for the second or subsequent consecutive fiscal year, the Food and Nutrition Service (FNS) determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure for payment error rates, which is 7.36 percent for FY 2019.

Condition:

On July 6, 2020, FNS determined that Guam's payment error rate for FY 2019 is 11.89% and that FY 2019 is the second consecutive year that Guam exceeded 105 percent of the national performance measure.

Cause:

FNS determined that DPHSS management failed to act upon updated information reported by households on their wages and salaries, and further, that many errors are the result of information not being reported by households (e.g., incomplete applications).

Effect:

FNS established a FY 2019 Guam liability of $589,871. GovGuam's check payment to USDA-FNS for the full amount is dated August 7, 2020.

Recommendation:

FNS recommends that Guam (1) adopts the best practices shared in the Keys to Payment Accuracy, (2) considers modernization efforts, and (3) evaluates the application, interview process and household notices to ensure requirements are communicated to applicants in clear understandable terms.

Views of Responsible Officials:

Department of Public Health and Social Services provided a corrective action plan to (1) implement case review on all cases processed by Eligibility Specialists (ESs) every day under the direct supervision of the Social Service Supervisor (SSS) I and monitoring by Bureau of Economic Security (BES) Program Administrator. SSS I will require all Eligibility Specialist Supervisors (ESSs) to conduct 90% to 100% supervisory reviews of ES eligibility determinations before case finalization, and (2) create and recruit additional four ESS positions, recruit the six vacant ES positions in the current staffing pattern, and request for additional new four ES positions for recruitment. BES will ensure that all new recruits will be trained especially in the interpretation of policies, manuals, and most importantly, in the navigation of the Ph/pro eligibility system.

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Special Tests and Provisions – ADP System for SNAP
Questioned Costs: $3,935

Criteria:

In accordance with applicable special tests and provisions requirements, the State's Automated Data Processing (ADP) system for SNAP must: (1) accurately and completely process and store all case file information for eligibility determination and benefit calculation; (2) automatically cut off households at the end of their certification period unless recertified; and, (3) provide data necessary to meet Federal issuance and reconciliation reporting requirements.

Condition:

Of 25 case files tested, we noted the following:

1. For 1 (or 4%), the case file was not provided for examination:

Case #	Issue Date	Amount Issued	FY2019 Issuances and Questioned Cost
201803451	12/2018	$520	$2,756

2. For 2 (or 8%), the ADP benefit calculations exceeded the expected benefits based on USDA guidelines:

Case #	Issue Date	Amount Overpaid	FY2019 Issuances and Questioned Cost
201702791	02/2019	$23	$276
300080728	07/2019	$88	$88

3. For 1 (or 4%), the household exceeded income limits and was terminated in the prior year through a Notice of Action dated 03/14/2018; however, the ADP system continued to process issuances during FY 2019 from 10/2018 through 02/2019:

Case #	Issue Date	Amount Overpaid	FY2019 Issuances and Questioned Cost
201701873	12/2018	$163	$815

Cause:

DPHSS management did not effectively monitor the ADP System for compliance with applicable special tests and provisions.

Effect:

GovGuam is in noncompliance with applicable special tests and provisions requirements for the ADP System. Projected questioned costs exceed $25,000, and the known questioned cost is $3,935.

Finding No.: 2019-002
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
Area: Special Tests and Provisions – ADP System for SNAP
Questioned Costs: $3,935

Recommendation:

Responsible personnel should enforce monitoring and recordkeeping controls over compliance with applicable special tests and provisions requirements. Responsible personnel should assess the ADP system to identify and correct any system-related processing errors.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-003
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.551/10.561 SNAP Cluster
Federal Award No.: 197GUGU4S2514
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. The State must reconcile the financial and management data that comes from the EBT contractor to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down.

Condition:

Of fifty-four reconciliation dates tested, the reconciliation data contained no dates relative to signoffs, system extractions, or printing, etc., to substantiate whether the daily reconciliation occurred.

Cause:

DPHSS management did not effectively monitor compliance with applicable EBT reconciliation requirements.

Effect:

GovGuam 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 for as long as 5 months. No questioned cost is presented, as ending year balances between the State and the EBT contractor are reconciled.

Identification as a Repeat Finding: Finding 2018-002

Recommendation:

DPHSS management should more closely monitor the EBT reconciliation process so that the required daily reconciliations are completed in accordance with applicable special tests and provisions requirements. If reconciliations are not feasible on a daily basis, responsible personnel should consider seeking approval from the Grantor agency for an alternative reconciliation schedule.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-004
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: $517,250

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, emergency procurement is allowable when there exists a threat to public health, welfare, or safety under emergency conditions as declared or approved by the Governor. Furthermore, only costs resulting from proper procurements should be charged to Federal awards.

Condition:

For four (or 13%) of 31 transactions tested, aggregating $6.7 million out of $14.4 million in total non-payroll program expenditures, emergency procurement was used either monthly or bimonthly to procure services for the Guam Medical Referral Assistance Office relative to serving families who have to travel for medical care. However, the procurement file does not contain sufficient documentation to substantiate existing emergency conditions that prevented formal bid procedures in advance of the known contract expiration dates. Furthermore, the procurement authority documented on the purchase orders indicate that the Chief Procurement Officer ratified a solicitation or award of a contract that was determined to be in violation of the law. Federal expenditures associated with the noncompliant procurement method are questioned costs.

Federal Award No.	Transaction No.	Check No.	Contract Month	Vendor No.	Prior Reference	Amount Tested
D17AF00038	J190620311	664478	Nov 2018	T0093612	P196A00926	$ 59,800
D17AF00038	J190620469	670582	Jan/Feb 2019	F0096108	P196A02431	119,600
D17AF00038	J190620529	671986	Mar 2019	T0093612	P196A02575	59,800
D18AF00045	J190320819	675973	May/Jun 2019	T0093612	P196A03680/1	91,250
						$ 330,450

During FY 2019, GovGuam charged the Federal program a total of $517,250 under eight such noncompliant procurements with the same contractor for the months of October 2018 through June 2019.

Cause:

GovGuam did not effectively plan for the expiration of existing contracts and did not enforce compliance with applicable procurement requirements.

Effect:

GovGuam is in noncompliance with applicable procurement requirements. The total questioned cost is $517,250.

Identification as a Repeat Finding: 2018-003

Recommendation:

Responsible personnel should closely monitor the expiration dates of existing contracts and should commence procurement procedures in sufficient time to allow for formal bid procedures accordingly. Furthermore, the responsible procurement personnel should enforce compliance with applicable procurement requirements. If noncompliant procurement methods are subsequently ratified by the Chief Procurement Officer and are to be charged to Federal awards, the responsible personnel should consider seeking prior approval from the Grantor agency.

Finding No.:	2019-004, 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:	$517,250

Views of Auditee and Planned Corrective Actions:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-005
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1905GQ5MAP
Area: Eligibility
Questioned Costs: $2,312

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.

Conditions:

Of 60 case files tested, aggregating $5 million out of $128.2 million in total program expenditures for benefits to participants, we noted the following:

1. For 1 (or 2%), the case file was not provided for examination.

Case #	Service Date	FY 2019 Claim Amount
33007226103	02/10/2018	$2,312

2. For 1 (or 2%), the social security number of one household member was incorrectly entered in the PHPro system, and therefore, the household member was not subjected to the Income Eligibility Verification System (IEVS). The PHPro system did not automatically generate an error report to notify the eligibility specialist of the incorrect social security number.

Case #	Service Date	FY 2019 Claim Amount
20190076301	04/23/2019	$4,236

   Subsequently, in response to the finding, GovGuam corrected the social security number in the PHPro system and regenerated an IEVS report that substantiated the eligibility of the household. Therefore, no questioned cost is presented for this finding.

Cause:

GovGuam did not effectively manage case files and monitor eligibility determinations for compliance with applicable eligibility requirements. Furthermore, GovGuam was not aware of the PHPro system issue.

Effect:

GovGuam is in noncompliance with applicable eligibility requirements. Projected questioned costs exceed $25,000, and the total known questioned cost is $2,312.

Recommendation:

Responsible personnel should enforce recordkeeping and monitoring controls over maintaining compliance with applicable eligibility requirements. Furthermore, responsible personnel should assess the PHPro system to identify and correct any system-related processing weaknesses relative to edit checks and error notifications.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-006
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award No.: 1905GQ5MAP
Area: Reporting
Questioned Costs: $0

Criteria:

In accordance with applicable reporting requirements, amounts reported in CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program, should be supported by underlying accounting records.

Conditions:

Reported expenditures are not supported by underlying accounting records, as follows:

	FY 2019 Expenditures	Federal Share	Local Share
CMS-64	$ 118,670,685	$ 111,269,461	$ 7,401,224
AS400 financial management system	118,660,294	115,843,414	2,816,880
Variances	$ 10,391	$(4,573,953)	$ 4,584,344

Cause:

GovGuam did not enforce monitoring controls over reconciliations and over compliance with reporting requirements.

Effect:

GovGuam is in noncompliance with applicable reporting requirements. No questioned cost is presented as reported expenditures represent allowable costs.

Recommendation:

GovGuam should enforce monitoring controls over compliance with reporting requirements. Responsible personnel should review underlying accounting records, perform reconciliations, and retain such documents to substantiate reported amounts. Responsible personnel should also coordinate with the centralized accounting division to identify changes and make adjustments to the CMS-64 reports or underlying records accordingly prior to the submission of the CMS-64 reports.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No: 2019-007
Area: General Ledger and Schedule of Expenditures of Federal Awards Reconciliations

Criteria:

General ledger balances should be timely reconciled to the subsidiary ledger or supporting details and reviewed for ongoing pertinence. The Schedule of Expenditures of Federal Awards (SEFA) should present all amounts passed through to subrecipients.

Condition:

1. Reconciliation between the general ledger and the subsidiary ledgers should be timely performed.

    - A post-closing adjustment was provided on July 16, 2020, to reconcile $13M of Medicaid expenditures in the general ledger. Approximately $4M of Medicaid expenditures were still unreconciled between the general ledger and the SEFA. An adjustment was proposed to correct the misstatement.

    - An updated SEFA was provided on July 16, 2020, increasing the previously reported expenditures by $7.4M in Medicaid costs.

2. Approximately $4.2M in recorded expenditures related to subrecipient transactions were not reconciled in the SEFA until July 16, 2020, for CFDA 15.875.

Cause:

Timely reconciliations were not performed, and monitoring controls over the completeness of the SEFA were not effective in detecting and correcting understatements relative to expenditures and subrecipient transactions.

Effect:

The aforementioned accounts and SEFA amounts were misstated.

Recommendation:

GovGuam management should reconcile general ledger accounts with corresponding subsidiary ledgers at least monthly or quarterly. Furthermore, the Division of Accounts should assess whether additional personnel well versed in accounting reconciliations and in SEFA preparation may be required to allow for accurate and complete financial reporting.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

Finding No.: 2019-008
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
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.

3. 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.

4. Capital assets should be recorded in accordance with the applicable capitalization policy.

Condition:

Equipment and Real Property Management

1. GovGuam performed the required comprehensive physical inventory of its property in January 2016; however, the required reconciliation was not completed. As of September 30, 2019, the required biannual physical inventory and reconciliation were not performed.

   We are unable to assess the overall cumulative monetary value of this deficiency. However, the table below summarizes each Government of Guam FY 2019 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	2019 Purchases	2018 Purchases	2017 Purchases	2016 Purchases	2015 Purchases	Total
15.875	$ 843,717	1,886,709	2,338,541	4,704,637	4,744,016	$14,517,620

Capital Assets

2. Reconciliation of capital assets was continuously ongoing 8 months after fiscal year end with thirty-two post-closing adjustments were recorded to adjust capital assets.

   a. Construction in progress included projects of approximately $47.7M with no additional expenditures related to the projects in FY2019 or were identified to be substantially completed as of 09/30/19. An adjustment was subsequently recorded to transfer these assets as depreciable as of 09/30/19.

Finding No.: 2019-008, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: $0

Condition, Continued:

b. One asset was not made available for verification of physical existence.

Description	Cost
P056A01742-Portable Astro Digital W/ENH Software	$ 550,000

c. Capital assets were not recorded in accordance with the applicable capitalization policy. $345K in assets were less than the $50,000 threshold per the applicable capitalization policy or were not capitalizable expenses. A subsequent adjustment was recorded to correct this misstatement.

	Description	Cost
1	P156A03634-2016 FORD EXPLORER	$ 49,290
2	P156A03634-2016 FORD EXPLORER	49,290
3	P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM7GKB26591)	48,698
4	P166A04872-2016 FORD TRANSIT VAN (VIN: 1FBZX2YM9GKB26592)	48,698
5	P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460444)	49,779
6	P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJFGGC480394)	49,779
7	P166A02867-2016 DODGE DURANGO (VIN: 1C4RDJGF1GC460443)	49,779
		$ 345,313

3. Construction costs are 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 can be identified by project.

Cause:

The processes over inventory, maintenance and reconciliation of capital assets are not routine. GovGuam requires more funding and human resources to fully develop a reliable equipment management system.

Effect:

GovGuam is in noncompliance with applicable equipment management requirements. The underlying capital outlays are not considered questioned costs, as we are unable to quantify the extent of noncompliance. This noncompliance applies to CFDA 15.875, for which cumulative capital outlays over the past five years exceed the FY 2019 materiality level.

Furthermore, depreciable assets and amounts reported as construction in progress may be materially misstated. Such potential misstatements were mitigated through the proposed audit adjustment.

Identification as a Repeat Finding: 2018-004

Finding No.: 2019-008, Continued
CFDA Program: 15.875 DOI Economic, Social and Political Development of the Territories
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: $0

Recommendation:

GovGuam should complete the required biannual physical inventory and reconciliations during FY 2020 and should consider developing a more detailed corrective action plan with timetables for completing planned actions, such as requesting Federal assistance, processing required reconciliations and reports, training personnel, and coordinating with other governmental units on property management requirements.

GovGuam 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.

GovGuam should record capital assets in accordance with the Government's capitalization policy and should implement a policy to monitor replacements, disposals, transfers of assets and construction in progress by project.

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 GovGuam. Furthermore, coordination with DPW and 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 GovGuam management is still in the process of effecting corrective action to develop and fund an equipment management system.

Views of Responsible Officials:

GovGuam's Corrective Action Plan provides details to address the finding and recommendation.

GOVERNMENT OF GUAM

Summary of Unresolved and Resolved Questioned Costs Arising from
Prior Year Single Audits
Year Ended September 30, 2019

	Prior Year Listed Unresolved Questioned Costs	Questioned Costs Resolved During the Year	End of Year
Unresolved Questioned Costs FY 16	$ 64,351	$ 64,351	$ -
Unresolved Questioned Costs FY 17	81,051	81,051	-
Unresolved Questioned Costs FY 18	549,023	-	549,023
	$ 694,425	$ 145,402	549,023
Add Questioned Costs for FY 2019			1,113,368
Total Unresolved Questioned Costs at September 30, 2019			$ 1,662,391

Unresolved Questioned Costs by CFDA Program:

CFDA #	Program Name	2019	2018	Total
10.551	SNAP	$ 593,806	$ -	$ 593,806
15.875	DOI	517,250	549,023	1,066,273
93.778	Medicaid	2,312	-	2,312
	Totals	$1,113,368	$ 549,023	$ 1,662,391

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LOURDES A. LEON GUERRERO
Governor (Maga'hâga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'lâhi)

August 26, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913

Provided below is the Government of Guam's Corrective Action Plan for Findings noted on Government of Guam's Single Audit Report for Year Ended September 30, 2019.

Finding No.: 2019-001

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health & Social Services

DOA is in the process of recruiting and internal auditors and this staffs will undertake an internal audit review of the processes as part of the program to ensure that the corrective action plan provided is implemented. DOA/HR will also make certain that DPHSS improves their training on the responsibilities of all Eligibility Specialists Supervisors (ESSs) to effectively review ES eligibility determinations for completeness prior to case finalization.

Finding No.: 2019-002

Responding Agency: Department of Public Health and Social Services
Department of Administration

Responsible personnel: Director, Department of Public Health & Social Services

DPHSS:

Mandatory scanning of documents will be imposed upon checking of clients at the front desk area to ensure that all documents are included in the case files. Any additional documents provided by the clients during the interview will be scanned by the eligibility specialists into the electronic record. This will ensure that there will be no delay in the scanning of documents. Recruit clerical personnel to support the supervisors of the program.

Mandate 100% supervisory reviews will prevent errors from occurring.

DOA:

DPHSS management will provide Standard Operating Procedures (SOP) to address each condition noted on report and submit to DOA/Accounting no later than September 30, 2020 to enforce monitoring and recordkeeping controls for compliance of program requirements. DPHSS must complete the following items by end of September 2020:

- Responsible personnel must immediately conduct a review of all files and correct any deficiencies found.

  Create a log of errors found to determine frequency and establish needed areas for refresher training.

- Must conduct an initial/ annual/refresher training for staff responsible for the calculation of benefits and to document training received.

Finding No.: 2019-003

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

DOA will require DPHSS to submit an internal daily reconciliation to DOA. In addition, DOA will perform the following no later than 30 September 2020:

- Review of 30 June-Aug 31 2020 daily reconciliations performed by the Bureau of Economic Security's Issuance Unit.

- Conduct internal audit of current procedures and provide a report for any processes not being followed as written in current Standard Operating Procedure for EBT deficiencies reconciliation.

Finding No.: 2019-004

Responding Agency:	Department of Administration
Responsible personnel:	Director, Department of Corrections/ Director, Department of Administration

Chief Procurement Officer will compile information and report regarding expired contracts and renewal conditions. In this, Agencies will be requested to respond noting their plan of action to address contracts nearing expiration. In addition, each agency will also conduct a review of procurement records to ensure completeness and provide DOA with findings and measures taken to correct deficiencies by 31 Aug 20. Procurement personnel will continue to ensure that applicable procurement requirements are followed fully and timely.

Finding No.: 2019-005

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health and Social Services

DOA:

DPHSS will submit Standard Operating Procedures (SOP) to address each condition noted on report and submit to DOA/Accounting no later than September 30, 2020 to enforce management of case files and to monitor eligibility determinations for compliance of program requirements.

DPHSS must complete the following items by end of September 30, 2020:

- Administrator of the program must identify and correct weaknesses found with the PHPro system and to ensure that staff are trained to report any system related issues they come upon.

- Complete an inventory of current case files that are in the Eligibility Verification System and submit a record of survey for any case files not found if any. Report inventory results to DOA.

- Responsible personnel will develop a checklist and immediately conduct a review of current case files for completeness utilizing checklist requirements and correct all deficiencies found.

- Conduct improved initial/ annual/refresher training for staff responsible for intake and posting of information to IEVS to document training received.

Finding No.: 2019-006

Responding Agency: Department of Administration

Responsible personnel: Director, Department of Public Health and Social Services

DPHSS responsible personnel will submit a draft of CMS-64 report for review to DOA/Accounting 15 days prior to submission deadline to ensure amounts reported reconcile with accounting records.

DPHSS must provide the following items for each report submitted for review:

- Accounting records supporting reported amounts

Finding No.: 2019-007

Responding Agency: Department of Administration

Responsible personnel: Director of Administration

Management will perform monthly reconciliations for the general ledger and the subsidiary receivables from federal agencies, payables to federal agencies and income from federal grants. The first quarterly reconciliation will be for the quarter ending June 30, 2020 and must be available for review by 31 Aug 20. Management will conduct additional training to staff assigned in SEFA preparation.

Finding No.: 2019-008

Responding Agency: Department of Administration

Responsible personnel: Director of Administration

Government of Guam Department of Administration's Division of Accounts obtained funding assistance from the U.S. Department of Interior, Office of Insular Affairs Technical Assistance Program to upgrade current Fixed Asset Software and Hardware and/or procure an Asset Management Program to better track construction projects by percentage of completion and capital assets. Funding will provide additional resources i.e., computers/ dual screens to enhance efficiency in providing necessary reports required, transportation requirements, and 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.

Post-closing adjustments recorded to adjust capital balances were necessary and will continue to be necessary to ensure reconciliation of capital assets with the general ledger. Before September 2020 perform quarterly review / reconciliation of capital assets to ensure assets are recorded in accordance with applicable capitalization policy beginning with quarter ended 30 June 2020.

Biannual physical inventory to be completed by end of FY20. Instructions will be provided to agencies for the appropriate treatment of asset disposals to update asset ledgers.

DOA will conduct an initial/annual refresher training to all assigned property custodians.

DOA will work with government agencies, departments, or divisions to obtain their capital assets reports timely to so that it will be included in the Capital Asset report and reconcilation. DOA Accounting will issue an accounting policy regarding this matter.

EDWARD M. BIRN
Director

EDWARD M. BIRN
Director (Direktot)
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Deputy Director (Sigundo Direktot)

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Lt. Governor (Sigundo Maga'låhi)

June 26, 2020

Mizpah C Weigand
Deloitte & Touche LLP
361 S Marine Corps Drive
Tamuning, GU 96913-3911

SUBJECT : FY19 Single Audit Report's – Schedule of Prior Years Single Audit Findings

Hafa adai Ms. Weigand :

Department of Administration is actively pursuing resolution matters reported on the Schedule of Findings and questioned costs for year ended September 30, 2018.

To ensure that federal funds do not have to be refunded, that Department of Administration (and sub-recipient agencies where applicable) resolve remaining questioned costs. We do not intend to pursue findings for FY17 because the basis to recommend for closure has been met in compliance with 2 CFR §200.511 (b) (3) and/or noted as a repeat findings and a corrective action plan has been developed and implemented.

Enclosed with this memorandum is our responses to the audit findings for FY17 and FY18.

If you should have any questions or concerns, please do not hesitate to call Accounting division. Si Yu'os Ma'ase.

Senseramente,

Digitally signed by Edward M Birn
Date: 2020.07.31 12:18:40 +10'00'

Edward M Birn
Director

Enclosure

AUDIT FINDING NUMBER:	***STATUS:***
2015-002	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-001	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-002	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-003	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-004	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-005	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-006	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2016-009	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-001	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-002	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-003	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-004	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-006	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2017-007	**DOA:** This finding is considered resolved in accordance with 2 CFR §200.511 (b)(3) and is no longer valid and does not warrant further action.

AUDIT FINDING NUMBER:	***STATUS:***
2018-001	**DOA:** Management continues to conduct on-going training to assigned Division of Accounts personnel in the preparation of SEFA. Management will continue to perform quarterly reconciliations for the general ledger and the subsidiary receivables from federal agencies, payables to federal agencies and income from federal grants. **ON GOING**
AUDIT FINDING NUMBER:	***STATUS:***
2018-002	**DPHSS** To ensure that documents on eligibility requirements are available/scanned upon request by the auditors, DPHSS will: As recommended by the Program Specialists from the Food and Nutrition Service (FNS) during their Annual State Agency Management Evaluation (SAME) held in May 2019, the Bureau of Economic Security should hire full-time clerks whose main responsibility will be to scan and dip all documents submitted by applicants and recipients in the front desk or at the time of their appointment or before the application is forwarded to the eligibility specialists (ES). According to the recommendation, all other related matching activities should also be done by the clerk and should be scanned and dipped before being forwarded to the ES. FNS findings also noted that the Eligibility Specialists are overwhelmed with the number of applicants and recipients seen every day coupled with the tasks associated with eligibility determination process and therefore, the possibility of lapses in scanning and dipping of documents may occur. DPHSS has concurred and will implement the recommendation immediately. Anticipating a citation regarding Electronic Benefit Transfer (EBT) cards reconciliation, the Bureau of Economic Security's Issuance Unit has started conducting a daily reconciliation of EBT cards issued and returned since May 2019. The need for a daily reconciliation of EBT cards was clarified with FNS Program Specialists during their SAME visit; therefore, the daily reconciliation has been done since then. Additionally, the SOP for EBT Reconciliation was updated and is now being reviewed. Department of Administration's management will perform periodic assessments on the EBT reconciliation process to ensure that mandated daily reconciliations are completed and if not feasible, assist agency in obtaining approval from Grantor agency for an alternative reconciliation schedule. **ON GOING**

AUDIT FINDING NUMBER:	***STATUS:***
2018-003	**DOA:** Management will perform a review of all existing contracts and closely monitor expiration dates to assist program personnel to ensure timely commencement of procurement procedures to allow for formal bid procedures. Procurement personnel will continue to enforce compliance with applicable procurement requirements. A Legislative bill has been introduced which defines more clearly what constitutes an emergency procurement for the Government of Guam. Department of Administration supports this bill, but notes that certain emergency procurements in FY2019 may be the subject of Findings in the Single Audit for that period. The Procurement Policy Office, reactivated by the Governor under Executive Order 2019-10 is also considering this issue, particularly for circumstances when delays are attributable to administrative processes. **ON GOING**

AUDIT FINDING NUMBER:	***STATUS:***
2018-004	**DOA:** Government of Guam Department of Administration's Division of Accounts obtained funding assistance from the U.S. Department of Interior, Office of Insular Affairs Technical Assistance Program to upgrade current Fixed Asset Software and Hardware and/or procure an Asset Management Program to better track construction projects by percentage of completion and capital assets. Funding will provide additional resources i.e, computers/ dual screens to enhance efficiency in providing necessary reports required, transportation requirements, and 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. Post-closing adjustments recorded to adjust capital balances were necessary to ensure reconciliation of capital assets with the general ledger. Perform quarterly review / reconciliation of capital assets to ensure assets are recorded in accordance with applicable capitalization policy. Biannual physical inventory was not completed by FY19 but will be completed by end of FY20. •Agencies will be required to provide DOA with the following by end of FY 20. A follow up letter/memorandum will be sent NLT July 30, 2020 to ensure compliance. i.Assigned Property Custodian ii.Confirm/Verify accountable assets iii.Personnel assigned to the asset iv.Location v.Current condition vi.Maintenance documentation as applicable vii.Identify retired assets viii.Provide supporting documents of disposition DOA to ensure mandatory training is completed during biannual training to all assigned property custodians •Initial and annual refresher training will be documented 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. **ON GOING**

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August 26, 2020

Mr. Edward M. Birn
Director
Department of Administration
Government of Guam
P.O. Box 884
Hagatna, GU 96910

Dear Mr. Birn:

In planning and performing our audit 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) for the year ended September 30, 2019, which collectively comprise GovGuam's basic financial statements (on which we have issued our report dated August 26, 2020 and which includes a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19), 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, we considered GovGuam's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, other matters involving GovGuam's internal control over financial reporting as of September 30, 2019 that we wish to bring to your attention.

We have also issued a separate report to the Governor of Guam, also dated August 26, 2020, on our consideration of GovGuam's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

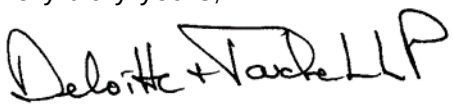
This report is intended solely for the information and use of the management of GovGuam and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Deloitte.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Department of Administration for their cooperation and assistance during the course of this engagement.

Very truly yours,



SECTION I – OTHER MATTERS

We identified, and have included below, other matters involving GovGuam's internal control over financial reporting as of September 30, 2019, that we wish to bring to your attention:

A. DEPARTMENT OF ADMINISTRATION (DOA) DIVISION OF ACCOUNTS

(1) Fiscal Year Close and General Ledger Reconciliations

Comment 1: As of July 2020, DOA had not closed the general ledger for the fiscal year ended September 30, 2019.

Comment 2: Prepayments of $4.5M were for lease payments that should be reported as expenditures. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend DOA hire additional experienced personnel to assist in maintaining the general ledger, and to engage in periodic scrutiny of liability and asset accounts for ongoing pertinence, so that such is timely performed to facilitate the audit process.

(2) Deposits and Other Liabilities

Comment # 1: Approximately $4.2M of collections were recorded as General Fund liabilities. Such include $1.8M of collections related to bus operations and $2.4M collected from law enforcement agencies. As these amounts were not considered material to the financial statements, no audit adjustments were proposed.

Comment # 2: Approximately $1.3M of recorded General Fund accrued liabilities were not valid as of September 30, 2019. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Comment # 3: Approximately $1.5M of recorded other governmental funds accrued liabilities were not valid as of September 30, 2019. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Prior year status: The above comment # 1 is reiterative of conditions identified in the prior year audit.

Recommendation: We recommend DOA investigate the validity of recorded deposit and other liability accounts. Furthermore, we recommend that collections be appropriately recorded and that expenditures incurred be charged against the respective agency approved budget.

(3) Opening Fund Balances

Comment: Opening fund balances were not reconciled. The following variances were noted:

	Ending Balance per 2018 Financial Statements	Beginning Balance per 2019 General Ledger	Unreconciled Variance
General Fund	$ (113,438,111)	$ (108,937,635)	$ (4,500,476)
DMHSA Receiver Fund	$ (63,494)	$ (398,487)	$ 334,993
MIP Payment Revolving Fund	$ 18,270	$ (661,729)	$ 679,999
Off-Island Treatment Fund	$ (13,213)	$ 666,787	$ (680,000)

Audit adjustments were proposed to correct opening fund balance amounts.

Recommendation: We recommend DOA perform timely reconciliations of opening fund balances before the close of year end.

A. DEPARTMENT OF ADMINISTRATION (DOA) DIVISION OF ACCOUNTS, CONTINUED

(4) Pension liability for Governors, Lieutenant Governors and Judges

Comment: The net pension liability does not include pension annuities for retired Governors, Lieutenant Governors, and Judges. Based on a performance audit issued by the Office of Public Accountability (OPA Report No. 15-03), an unrecorded liability of approximately $6.5M exists. As this amount was not considered material to the financial statements, no audit adjustment was proposed. During the year ended September 30, 2019, DOA made pay-as-you-go pension contributions to the GovGuam Retirement Fund of $635K.

Recommendation: We recommend DOA coordinate with GovGuam's Retirement Fund to incorporate the pension annuities for the above in the annual pension actuarial valuation.

(5) Transaction Processing System (TPS) Receipts

Comment: TPS populations identified numerous missing receipt sequences. When a transaction is cancelled, reversed or corrected, the TPS system automatically generates a new receipt number and replaces the previously assigned receipt number. The previously assigned receipt number is not searchable and sequences were not monitored by management. While there is no apparent risk that cash is understated or was misappropriated due to other mitigating controls, receipt sequences should be accounted for.

Recommendation: We recommend GovGuam scrutinize missing receipt sequences and periodically monitor the reasons for such occurrences to ascertain that no system issues occurred.

(6) Interfund Transfers

Comment: Transfers between bank accounts for debt service obligations should be based on actual cash transactions. During the year ended September 30, 2019, the Debt Service Fund (Fund 354) within the separate Tourist Attraction Fund audit reported an interfund receivable of $659K due from the Tourist Attraction Fund (Fund 206). This receivable was the result of recording transfers between bank accounts based on budget allotments. An audit adjustment was proposed to correct this error.

Recommendation: We recommend DOA record transfers between bank accounts based on actual cash transactions.

(7) Special Revenue Fund Deficits

Comment: Certain special revenue funds incurred expenditures in excess of revenues resulting in interfund payable balances of $1.9M for which repayment may not be expected within a reasonable time due to continuing fund deficits. Special revenue funds with fund deficits include:

Guam Museum Fund (Fund 244)	$ 374,865
Indirect Cost Fund (Fund 632)	806,692
Public Recreation Services Fund (Fund 620)	143,967
Public Transit Fund (Fund 317)	341,582
Safe Streets Fund (Fund 217)	142,477
	$ 1,809,583

As these amounts were not considered material to the financial statements, no audit adjustments were proposed.

A. DEPARTMENT OF ADMINISTRATION (DOA) DIVISION OF ACCOUNTS, CONTINUED

(7) Special Revenue Fund Deficits, Continued

Recommendation: We recommend DOA limit a special revenue funds ability to incur expenditures in excess of revenues collected. Furthermore, we recommend DOA ascertain that collections from non-appropriated funds, such as the Guam Museum and the Guam Regional Transit Authority are reported to DOA on a quarterly basis. Finally, we recommend DOA periodically analyze special revenue fund deficits for interfund payable balances that may not be expected to be repaid; thereby requiring the reporting of operating transfers.

(8) Unreleased Checks

Comment: Checks of $3.4M were not released and were in the custody of the Treasurer of Guam or the Division of Accounts at year end. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend DOA reclassify unreleased checks as liabilities and reinstate cash as of fiscal year end.

(9) Cost of Living Allowance (COLA) Reimbursements

Comment: COLA reimbursements of $2.5M collected from autonomous agencies were not correctly recorded as contributions from component units. Collections were netted against expenditures. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend DOA be consistent in recording such other reimbursements as revenue.

(10) Due from Legislature

Comment: GovGuam's General Fund (Fund 100) has recorded an uncollected advance of $726K due from the Legislature since 2015.

Recommendation: We recommend DOA pursue collection through offset of the Legislature's General Fund budget appropriations.

B. CHILD SUPPORT ENFORCEMENT DIVISION / DIVISION OF ACCOUNTS

Unclaimed Checks – Child Support

Comment**:** Based on the Collaborative Action Plan dated December 2011, continuing efforts and communications between DOA and the Child Support Enforcement Division (CSED) are on-going regarding the reconciliation between the AS400 and the APASI system to support unclaimed checks and reconcile aged balances, which date back more than 15 years. As of September 30, 2019, the unreconciled difference between CSED's schedule and DOA's financial statement was $2.2M.

Prior year status: The above comment is reiterative of conditions identified in the prior year audit.

B. CHILD SUPPORT ENFORCEMENT DIVISION / DIVISION OF ACCOUNTS, CONTINUED

Unclaimed Checks – Child Support, Continued

Recommendation: We recommend that GovGuam continue to address the Collaborative Action Plan, which entails the following:

1. Inquiry from the bank to obtain copies of all associated records, (cash collections and checks/EFT payments) during the period the child support accounts were held.

2. Seek legislation to establish a period after which unclaimed child support payments will escheat to the Government. Since bank records are incomplete or are unavailable for two financial institutions prior to 2004, DOA and CSED are seeking legislation to waive the diligent effort requirements before unclaimed child support payments can be escheated for the period prior to 2004.

C. GUAM LEGISLATURE

Opening Fund Balances

Comment: Legislature opening fund balances were not reconciled. The following variances were noted:

	Ending Balance per 2018 Financial Statements	Beginning Balance per 2019 General Ledger	Unreconciled Variance
Operations Fund	$ 899,841	$ 2,080,898	$ (1,181,057)
Jury Trust Fund	$ 429,121	$ 542,674	$ (113,553)

Subsequent adjustments were recorded to correct opening fund balance amounts.

Recommendation: We recommend the Guam Legislature perform reconciliations before the close of the fiscal year end.

D. UNIFIED COURTS

(1) Opening Fund Balances

Comment: Unified Courts opening fund balances were not reconciled. The following variances were noted:

	Ending Balance per 2018 Financial Statements	Beginning Balance per 2019 General Ledger	Unreconciled Variance
Operations Fund	$ 5,899,243	$ 6,118,204	$ (218,961)
Jury Trust Fund	$ 14,388	$ 428,076	$ (413,688)
Judicial Client Service Trust Fund	$ 2,167,243	$ 2,553,584	$ (386,341)
Safe Streets Trust Fund	$ 46,550	$ (116,325)	$ 162,875

Audit adjustments were proposed to correct opening fund balance amounts.

Prior year status: The above comment is reiterative of conditions identified in the prior year audit.

Recommendation: We recommend the Unified Courts perform reconciliations before the close of year end.

D. UNIFIED COURTS, CONTINUED

(2) Monitoring of Probation Accounts

Comment: The status of probation cases should be timely monitored to allow for the issuance of official court orders for the closure and write-off of uncollectible accounts. The related allowance is $5.3M, which includes expired probation cases that have had no movement for more than ten years. The non-collection has had minimal impact on the Government of Guam as the majority of the balance accrued is payable to the associated victim.

Prior year status: The above comment is reiterative of conditions identified in the prior year audit.

Recommendation: We recommend the Unified Courts monitor status of probation cases to allow for legal and timely write-off of expired probation cases.

E. CUSTOMS AND QUARANTINE AGENCY

Absence of a Signed Lease Agreement

Comment: Rental and administrative fees charged to the Customs and Quarantine Agency of $3.3M were not supported by a signed lease agreement.

Prior year status: The above comment is reiterative of conditions identified in the prior year audit.

Recommendation: We recommend a lease agreement or relevant documentation be updated to document that lease expenditures are properly approved and supported.

F. GUAM FIRE DEPARTMENT (GFD)

Ambulance Service

Comment:

- Remittances received from ambulance services were recorded net of gross revenue less service fees from an outsourced service provider. This condition resulted in a $179K revenue understatement.
- Accounts receivable of $1.2M identified by the outsourced service provider was not recorded or analyzed. As this amount was not considered material to the financial statements, no audit adjustment was proposed.
- Reconciliation and review of remittances is not performed by the Guam Fire Department to assess completeness and accuracy of presented information from the outsourced service provider.

Recommendation: We recommend that revenues, expenditures, and accounts receivable related to ambulance services be properly recorded and be timely recognized. We also recommend DOA and GFD review and reconcile information received from the service provider to assess completeness and accuracy.

G. DEPARTMENT OF REVENUE AND TAXATION (DRT)

(1) Taxes

Comment: The $125M income tax provision for the 2019 refund liability was determined using the same assumptions for tax years 2018 and 2017, and did not incorporate an analysis of the impact of the Tax Cuts and Jobs Act (TCJA). Due to the significant limitation of human resources and the manual nature of the income tax processing system, DRT was only able to process a limited number of 2019 returns. Accordingly, a robust analysis by DRT of the impact of the TCJA on the 2019 refund liability, if any, was not possible. Subsequent audit procedures performed indicated the refund liability was overstated by $11M. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Prior year status: The above comment is reiterative of conditions identified in the prior year audit.

Recommendation: We recommend DRT perform an annual analysis of the income tax provision. Additionally, DRT should be provided with sufficient human resources to facilitate the timely processing and examination of income tax returns.

(2) Tax Credits

Comment 1: Corporate income tax credits abated to Qualifying Certificate (QC) taxpayers have the option to either take the credit in the form of a refund or carry forward to future tax years. At September 30, 2019, DRT advised DOA that QC corporate refund liabilities were $4.9M; however, no liability was recorded. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Comment 2: TPS identified approximately $1M of additional tax credits in 2019; however, a reconciliation was not provided by DRT to identify the GRT tax credits and composition of such.

Recommendation: We recommend DRT provide tax credit information to DOA to facilitate recording of corporate refund liabilities and related financial statement footnote disclosures as required under GASB 77.

H. DEPARTMENT OF CORRECTIONS (DOC)

(1) Timely Federal Bureau of Prisons (FBP) Reimbursement

Comment: The DOC Inmates Revolving Fund reported a $1M fund deficit due to the lack of timely submission for reimbursement to the FBP for costs incurred by DOC for housing U.S. prisoners and detainees. Costs incurred for the months of February 2019 to September 2019 were not timely billed resulting in the fund deficit. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend DOC should timely submit requests to the FBP for reimbursement on a monthly basis.

(2) Unrecorded Liabilities

Comment: Approximately $4.3M of unpaid vendor invoices were in custody of the Department of Corrections primarily relating to medical related costs incurred by inmates. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend DOC record liabilities for goods and services rendered, provided or received based on authorized legislative appropriations.

I. GUAM ELECTION COMMISSION

Unreported Cash

Comment: The Guam Election Commission (GEC) maintained $541,565 of depository accounts that were not timely reported to DOA as of September 30, 2019 for inclusion in GovGuam's financial statements. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend GEC timely provide financial information to DOA for the purpose of inclusion in GovGuam's annual financial statements.

SECTION II - DEFINITION

The definition of a deficiency is as follows:

A *deficiency* 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND INHERENT LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

GovGuam's management is responsible for the overall accuracy of the financial statements and their conformity with accounting principles generally accepted in the United States of America. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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August 26, 2020

Honorable Lourdes A. Leon Guerrero
Governor
Government of Guam

Dear Governor Leon Guerrero:

We have performed an audit of 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, 2019 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated August 26, 2020, which includes a reference to other auditors and emphasis-of-matters paragraphs for the restatement of beginning net position of the aggregate discretely presented component units and for the impact of COVID-19.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GovGuam is responsible.

This report is intended solely for the information and use of the management of GovGuam, the Office of Public Accountability, federal awarding agencies, pass-through entities, and others within the GovGuam organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Yours truly,

Deloitte & Touche LLP

cc: The Management of Government of Guam

Deloitte.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated October 28, 2019. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on the fairness of the presentation of GovGuam's financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2019 (the "financial statements"), in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2019;

- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the financial statements taken as a whole;

- To report on GovGuam's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2019, based on an audit of financial statements performed in accordance with standards applicable to financial audits contained in generally accepted government auditing standards; and

- To report on GovGuam's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Title 2 U.S. *Code of Federal Regulation*s Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of the Governor are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Office of the Governor of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GovGuam's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GovGuam's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses

We also considered GovGuam's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance. Our audit does not, however, provide a legal determination of GovGuam's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES

GovGuam's significant accounting policies are set forth in Note 1 to GovGuam's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements implemented by GovGuam:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on GovGuam's financial statements. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

We have evaluated the significant qualitative aspects of the GovGuam's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GovGuam's 2019 financial statements include pensions and other postemployment benefits, which are actuarially determined, management's estimate of the allowance for uncollectible accounts, which is determined based on management's evaluation of the collectability of current accounts and historical trends, management's estimate of the provision for tax refunds, which is determined based on periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendices A, B and C to Attachment II, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior period presented and a summary of disclosure items passed that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. The misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period and are listed in Attachment I.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GovGuam's 2019 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2019.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

Deloitte.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Office of the Governor.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GovGuam's management and staff and had unrestricted access to GovGuam's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GovGuam's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations GovGuam is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letters we obtained from management.

EMPHASIS-OF-MATTERS PARAGRAPHS

Subsequent to the issuance of the Guam Housing and Urban Renewal Authority (GHURA) 2018 financial statements, GHURA's management determined that capital assets were understated by $817,423 and unearned revenue was overstated by $4,985,444 as of September 30, 2018. As a result of this determination, the beginning net position of GovGuam's aggregate discretely presented components units has been restated from the amount previously reported of $137,520,399 to $143,323,266.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. Following the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a public health emergency in response to the COVID-19 outbreak. Furthermore, Executive Order 2020-04 ordered the closure of all non-essential GovGuam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and private sector businesses temporarily closed. GovGuam closed its offices to the public and required all non-essential employees to work from home.

On March 28, 2020, the U.S. President signed a major disaster declaration for Guam and ordered federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. Federal assistance in the form of grants from the U.S. Treasury, funding for Economic Impact Payments and Pandemic Unemployment Assistance has been made available to Guam under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and related legislation.

Because of the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, GovGuam cannot predict the extent or duration of the outbreak. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, GovGuam expects this emergency to negatively impact local tax collections and general economic conditions globally, nationally and locally, for which the related financial impact cannot be reasonably estimated at this time. GovGuam has resumed normal operations; however, many private sector businesses have either suspended their operations or are conducting business at reduced levels. In common with other States, tribal governments and territories, Guam is continuously evaluating the economic impact of these conditions.

Deloitte.

EMPHASIS-OF-MATTERS PARAGRAPHS, CONTINUED

The proposed wording of the emphasis-of-matters paragraphs follows:

"Restatement

As discussed in Note 14K to the financial statements, the beginning net position of the aggregate discretely presented component units has been restated to correct an error.

COVID-19

As discussed in Note 15 to the financial statements, GovGuam determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, GovGuam is unable to reasonably estimate its ultimate financial impact.

Our opinions are not modified with respect to these matters."

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated August 26, 2020, on GovGuam's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted certain matters that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report to you, also dated August 26, 2020, involving GovGuam's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

We have communicated to management, in two separate letters both dated August 26, 2020, other deficiencies and other matters related to GovGuam's internal control over financial reporting and GovGuam's internal control over its information technology environment that we identified during our audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

* * * * * *

Journal Entries - AJE

#	Name	Debit	Credit
GENERAL FUND			
1 AJE To correct Fund 255 fund balance			
125541110	UNAPPROPRIATED SURPLUS		334,994.47
255-290PH	MISCELLANEOUS	334,994.47	
		334,994.47	334,994.47
2 AJE To correct transfer out to E911 fund			
110041110	UNAPPROPRIATED SURPLUS		3,880,716.00
110071110TOA	EXPENDITURES - TRANSFERS OUT	3,880,716.00	
110041110	UNAPPROPRIATED SURPLUS	3,880,716.00	
110021590	ACCRUED OTHER EXPENDITURES		3,880,716.00
		7,761,432.00	7,761,432.00
3 AJE To correct tax provision			
110012403	ACCTS RECBLE-FEDERAL AGENCIES	10,323,266.00	
310051199	PROVISION FOR TAX REFUND		10,000,000.00
110032110	RESERVE FOR INCOME TAX CLAIMS		323,266.00
		10,323,266.00	10,323,266.00
4 AJE To correct SWOF COI expenditures			
364-290GG	MISCELLANEOUS		9,000.00
258-290GG	MISCELLANEOUS	9,000.00	
		9,000.00	9,000.00
5 AJE To record transfer out to S30 DSF			
110071110TOA	EXPENDITURES - TRANSFERS OUT	4,098,043.17	
336350100	TRANSFER IN		4,098,043.17
		4,098,043.17	4,098,043.17
6 AJE To correct Fund 293/329 fund balance			
132941110	FUND BALANCE	680,000.00	
129341110	UNAPPROPRIATED SURPLUS		680,000.00
		680,000.00	680,000.00
7 AJE To correct Fund 100 fund balance			
110041110	UNAPPROPRIATED SURPLUS	619,905.68	
110021590	ACCRUED OTHER EXPENDITURES		619,905.68
		619,905.68	619,905.68

Journal Entries - AJE

#	Name	Debit	Credit
8 AJE To correct Fund 364 transfer			
336450100	TRANSFER IN		1,086,633.44
310050416	TRANSFER IN - SOLID WASTE	1,086,633.44	
		1,086,633.44	1,086,633.44
9 AJE To correct retiree healthcare premiums			
110071110RETIRE	RETIREE HEALTHCARE PREMIUMS	5,212,294.60	
110072201	OVERDRAWN EXPENDITURES		5,212,294.60
		5,212,294.60	5,212,294.60
10 AJE To correct Layon Landfill tax credits			
310051215	GRT CREDITS & ADJ TAKEN GF		117,988.01
320551701	R&T PROPERTY TAX	117,988.01	
		117,988.01	117,988.01
GUAM DEPARTMENT OF EDUCATION			
1 AJE To GDOE prepaid deposit balance			
	DEBT SERVICE EXPENDITURES	4,896,253.00	
	PREPAYMENTS		4,896,253.00
		4,896,253.00	4,896,253.00
FEDERAL GRANTS ASSISTANCE FUND			
1 AJE To properly record revenue for accruals			
310150000	Revenues	65.92	
110111100	ACCT REC.- FGIA SUSPENSE		65.92
		65.92	65.92
OTHER GOVERNMENTAL FUNDS			
1 AJE To record GHF transfer to Fund 317			
331750100	TRANSFER IN		314,472.00
120871110TOF	TRANSFERS OUT	314,472.00	
		314,472.00	314,472.00
2 AJE To record TEFF transfer to Fund 657			
120571110TOF	TRANSFERS OUT	200,400.00	
365750100	TRANSFER IN		200,400.00
		200,400.00	200,400.00

Journal Entries - AJE

#	Name	Debit	Credit
3 AJE To record TEFF transfer to Fund 297			
120571110TOF	TRANSFERS OUT	1,374,056.00	
329750205	TRANS IN FROM TEFF - UOG		1,374,056.00
		1,374,056.00	1,374,056.00
4 AJE To correct TAF transfer to Fund 354			
335450206	TRANSFER FROM TAF	659,182.66	
120671110TOF	TRANSFERS OUT		659,182.66
		659,182.66	659,182.66
GOVERNMENT-WIDE			
1 AJE To correct for the new GOB Series 2019A bond issue			
135315814DT	AMOUNT TO BE PROVIDED GO 2019	27,610,000.00	
135321201DT	BOND PAYABLE GOB 2019 SERIES A		27,610,000.00
		27,610,000.00	27,610,000.00
2 AJE To correct for the bond premium associated with the new GOB Series 2019A bond issue			
135315816	AMT TO BE PROVIDED FOR BONDS	4,027,747.00	
135321219	PREMIUM ON BONDS ISSUED		4,027,747.00
		4,027,747.00	4,027,747.00
3 AJE To correct current year bond premium amortization			
135321219	PREMIUM ON BONDS ISSUED	3,896,889.00	
135315816	AMT TO BE PROVIDED FOR BONDS		3,896,889.00
		3,896,889.00	3,896,889.00
4 AJE To correct current year bond discount amortization			
135315816	AMT TO BE PROVIDED FOR BONDS	189,108.00	
135315817	DISCOUNT ON BONDS ISSUED		189,108.00
		189,108.00	189,108.00
5 AJE To correct current year deferred refunding loss amortization			
135315816	AMT TO BE PROVIDED FOR BONDS	5,349,024.00	
135316815	DEFERRED LOSS ON REFUNDING		5,349,024.00
		5,349,024.00	5,349,024.00
6 AJE To correct accrued interest payable			
135315816	AMT TO BE PROVIDED FOR BONDS	116,194.00	
135321141	ACCRUED INTEREST ON BONDS PAYB		116,194.00
		116,194.00	116,194.00

Journal Entries - AJE

#	Name	Debit	Credit
7 AJE To correct the GASB 68/73 net pension obligation			
135316820	DEFERRED OUTFLOWS FR PENSIONS	6,722,415.00	
135324005	DEFERRED INFLOWS FROM PENSIONS	7,863,767.00	
135322005	NET PENSION LIABILITY		8,402,694.00
135316819	AMT TO BE PROV FOR PENSIONS		6,183,488.00
		14,586,182.00	14,586,182.00
8 AJE To correct for FY2019 CWIP transferred to infrastructure			
139018400	INFRASTRUCTURE	47,799,423.10	
139018500	CONSTRUCTION IN PROGRESS		47,799,423.10
		47,799,423.10	47,799,423.10
9 AJE To correct GDOE capital asset classification			
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND	9,130,628.02	
139018110	BLDG/STRUCTURES-GEN FUND		9,130,628.02
		9,130,628.02	9,130,628.02
10 AJE To correct GL capital asset cost			
139018500	CONSTRUCTION IN PROGRESS		30,102,076.00
139018100	LAND-GENERAL FUND		356,400.00
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND		2,271,548.00
139018110	BLDG/STRUCTURES-GEN FUND		787,984.00
139018400	INFRASTRUCTURE		1,984,256.00
139042100	INVESTMENT IN FIXED ASSETS-GF	35,502,264.00	
		35,502,264.00	35,502,264.00
11 AJE To correct GL capital asset accumulated depreciation			
139042100	INVESTMENT IN FIXED ASSETS-GF		32,732,007.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	32,732,007.00	
		32,732,007.00	32,732,007.00
12 AJE To correct GDOE deferred capital lease maintenance and insurance			
135315673	GDOE MAINT & INSURANCE RESERVE		125,000.00
135315671	GDOE AMT TO BE PROV-CAP LEASES	125,000.00	
		125,000.00	125,000.00
13 AJE To correct net OPEB liability			
135322006	OPEB LIABILITY	394,822,997.00	
135324006	DEFERRED INFLOWS FROM OPEB		382,699,334.00
135316822	DEFERRED OUTFLOWS FR OPEB		23,370,650.00
135315101	AMT TO BE PROV FOR OPEB	11,246,987.00	
		406,069,984.00	406,069,984.00

Journal Entries - AJE

#	Name	Debit	Credit
14 AJE To correct GASB 18 postclosure liability			
135315675	AMT TO BE PROVIDED FOR LANDFIL	1,291,637.00	
135321165	GASB 18 LANDFILL LIABILITY		510,314.00
135321166	GASB18 LANDFIL LIABILITY-LAYON		781,323.00
		1,291,637.00	1,291,637.00
15 AJE To correct GDOE capital lease liabilities			
135321225	GDOE CAPITAL LEASES	8,255,215.00	
135315671	GDOE AMT TO BE PROV-CAP LEASES		8,255,215.00
		8,255,215.00	8,255,215.00
16 AJE To correct for restatement of GDOE capital lease assets			
139018200	LAND - FEDERAL FUND		1,269,758.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	4,988,566.00	
139018110	BLDG/STRUCTURES-GEN FUND		23,659,233.00
139042100	INVESTMENT IN FIXED ASSETS-GF	19,940,425.00	
		24,928,991.00	24,928,991.00
17 AJE To correct for restatement of GDOE capital lease liabilities			
135321225	GDOE CAPITAL LEASES	14,937,490.00	
135315671	GDOE AMT TO BE PROV-CAP LEASES		14,937,490.00
		14,937,490.00	14,937,490.00
18 AJE To correct for FY2019 capital asset additions			
139018100	LAND-GENERAL FUND	356,400.00	
139018500	CONSTRUCTION IN PROGRESS	31,012,794.00	
139018110	BLDG/STRUCTURES-GEN FUND	787,985.00	
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND	2,271,548.00	
139018400	INFRASTRUCTURE	1,200,754.00	
139042100	INVESTMENT IN FIXED ASSETS-GF		35,629,481.00
		35,629,481.00	35,629,481.00
19 AJE To correct for FY2019 capital asset depreciation			
139042100	INVESTMENT IN FIXED ASSETS-GF	62,559,355.00	
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO		62,559,355.00
		62,559,355.00	62,559,355.00
20 AJE To correct for FY2019 capital asset retirements			
139018500	CONSTRUCTION IN PROGRESS		783,119.00
139018120	EQUIPMENT/FUR/OTHERS-GEN FUND		1,288,752.00
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	1,936,946.00	
139042100	INVESTMENT IN FIXED ASSETS-GF	134,925.00	
		2,071,871.00	2,071,871.00

Journal Entries - AJE

#	Name	Debit	Credit
21 AJE To reverse CAJE # 1			
139018339	ALWS FOR DEPN-EQPT CONDEMNATIO	18,846,396.84	
139042500	INVEST. FIXED ASSET- FED MATCH	0.28	
139042100	INVESTMENT IN FIXED ASSETS-GF		8,963,771.74
139042200	INVESTMENT IN FIXED ASSETS-FED		9,882,625.38
		18,846,397.12	18,846,397.12

We have reviewed the adjustments summarized above and agree that they should be presented as of September 30, 2019. These journal entries are the result of error and not the result of fraud, irregularities, or illegal acts.

8/13/20

Edward M. Birn
Director
Department of Administration

Gaudencio Rosario
Digitally signed by Gaudencio Rosario
Date: 2020-08-12 16:47+10:00

Gaudencio Rosario
Deputy Financial Manager
Department of Administration

EDWARD M. BIRN
Director (Direktot)
EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION
DIRECTOR'S OFFICE
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LOURDES A. LEON GUERRERO
Governor (Maga'hâga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'lâhi)

August 26, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning GU 96913

We are providing this letter in connection with your audit of 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 (the "Government"), as of and for the year ended September 30, 2019, which collectively comprise the Government's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows, as applicable, of the Government in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, in accordance with GAAP.

b. The design, implementation, and maintenance of internal control:

   - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

   - To prevent and detect fraud

c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:

    a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

    b. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

    c. Deposits and investment securities are properly classified in the category of custodial credit risk.

    d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

    e. Required supplementary information is measured and presented within prescribed guidelines.

    f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.

    g. The Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.

    h. The financial statements properly classify all funds and activities, including special and extraordinary items.

    i. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards ("GASB Codification) Section 2200.159 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

j. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

k. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

l. The Government has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

m. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.

n. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.

2. The Government has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.

3. The Government has made available to you:

   a. All financial records and related data for all financial transactions of the Government and for all funds administered by the Government. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Government and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

   b. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.

4. There has been no:

   a. Action taken by Government management that contravenes the provisions of federal laws, or Guam law, and laws and regulations, or of contracts and grants applicable to the Government.

   b. Communication with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2018 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

7. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified certain disclosures that, although required by GAAP, have been omitted from our financial statements. Those omitted disclosures that are regarded as more than clearly trivial are attached as Appendix C. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.

8. The Government has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Government and do not believe that the financial statements are materially misstated as a result of fraud.

9. We have no knowledge of any fraud or suspected fraud affecting the Government involving:

    a. Management.
    b. Employees who have significant roles in the Government's internal control.
    c. Others, where the fraud could have a material effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Government's financial statements communicated by employees, former employees, analysts, regulators, or others.

11. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 13 to the financial statements.

12. Significant assumptions used by us in making accounting estimates are reasonable.

13. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards 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* ("OMB Uniform Guidance"). We have identified and disclosed all of the Government's government programs and related activities subject to the OMB Uniform Guidance compliance audit. In addition, we have accurately completed the appropriate sections of the data collection form.

14. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Uniform Guidance, and the provisions of grants and contracts relating to the Government's operations. We are responsible for understanding and complying with the requirements of the federal statutes, regulations, and the terms and conditions of federal awards related to each of the Government's federal programs. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

15. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.

16. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

17. No events have occurred subsequent to September 30, 2019 that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.

18. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2019.

19. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by the Government with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2019.

20. Federal awards expenditures have been charged in accordance with applicable cost principles.

21. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the Uniform Grant Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.

22. We have disclosed all contracts or other agreements with service organizations.

23. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.

24. We have:

    a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.

    b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards except as disclosed in the Schedule of Findings and Questioned Costs.

    c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.

    d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

    e. Identified and disclosed all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.

f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.

g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.

h. Monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and terms and conditions of the sub-award and have met the other pass-through entity requirements of OMB Uniform Guidance.

i. Issued management decisions for audit findings that relate to federal awards made to subrecipients. Such management decisions were issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed up to determine whether the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the Government.

j. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.

25. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.

26. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

27. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

28. We believe that we have properly identified, reported, and classified each component unit of the Government and each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Government*. The Public Utilities Commission (PUC) is a related organization under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39. PUC consists of seven members, all of whom are appointed by the Governor of Guam. The Government's accountability does not extend beyond the appointments. Accordingly, PUC is classified as another stand-alone governmental unit, not a component unit of the Government, and therefore is not part of the financial statements of the Government.

29 During the year ended September 30, 2019, the Government implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the financial statements of the Government. However, the implementation of GASB Statement No. 88 did result in additional required disclosures surrounding debt.

30. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

31. In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

32. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether implementation of this statement will have a material effect on the financial statements.

33. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

34. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

35. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

36. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

Except where otherwise stated below, matters less than $7,500,000 collectively for the governmental activities, $3,000,000 collectively for the General Fund and the Chamorro Lands Fund, $2,000,000 collectively for the Federal Grants Assistance Fund and the aggregate remaining fund information, and $1,000,000 for the GDOE Federal Grants Fund are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

37. Except as listed in Appendix A and Appendix B, there are no transactions that have not been recorded and reflected in the financial statements.

38. The Government has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

39. Regarding related parties:

    a. We have disclosed to you the identity of the Government's related parties and all the related party relationships and transactions of which we are aware.

    b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

40. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

41. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

    b. The concentration makes the Government vulnerable to the risk of a near-term severe impact.

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

42. There are no:

    a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.

    b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 13 to the financial statements.

43. The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as discussed in Notes 2, 6 and 13 to the financial statements.

44. The Government has complied with aspects of contractual agreements that may affect the financial statements.

45. No department or agency of the Government has reported a material instance of noncompliance to us.

46. The Government has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.

47. Other than those described in Note 15 to the financial statements, no events have occurred after September 30, 2019, but before August 26, 2020, the date the financial statements were available to be issued that requires consideration as adjustments to or disclosures in the financial statements.

48. Regarding required supplementary information:

a. We confirm that we are responsible for the required supplementary information.

b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

49. Regarding supplementary information:

a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.

c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

50. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

51. Management of the Government believes that it is in compliance with all significant limitations and restrictions of the 2009 Series A General Obligation Bonds, the 2011 Hotel Occupancy Tax Revenue Bonds, the 2011, 2012, 2013 and 2015 Business Privilege Tax Revenue Bonds indentures, the 2016 Series A Limited Obligation (Section 30) Bonds, the 2019 Series A General Obligation Bonds, and the 2006 and 2014 loan agreement covenants as of September 30, 2019.

52. Tax-exempt bonds issued have retained their tax-exempt status.

53. In prior years, the Government defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Government's financial statements. At September 30, 2019, $393,865,000 of bonds outstanding are considered defeased.

54. We have disclosed to you all additions or changes to the existing pension and other postretirement benefit plans.

55. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

56. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans.

57. Estimated amounts and the actual tax refunds claimed for prior years but not paid at year-end are recorded as tax refunds payable and as a reduction of tax revenue. The provision for tax refunds is evaluated on a regular basis by management and is based upon management's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. In Tax Year 2018, the Tax Cuts and Jobs Act (TCJA) provided for significant changes to tax rules including changes to the Child Tax Credit, Other Dependents Credit, personal exemptions, and standard deductions. The impact of TCJA changes is currently not determinable and, therefore, this evaluation is subjective as it requires estimates that are susceptible to significant

revision as more information becomes available. Accordingly, changes to the provision for tax refunds are accounted for on a prospective basis.

58. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

59. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

60. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

61. We have disclosed to you all new or changes to the existing pension, and other postretirement benefit plans.

62. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Codification Section P20, *Pension Activities - Reporting for Benefits Provided through Trusts that Meet Specified Criteria* and GASB Codification Section P22, *Pension Activities - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria - Defined Benefit.*

63. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities and, where applicable, net position and changes in net position in the financial statements in accordance with GASB Codification Section P52, *Postemployment Benefits Other than Pensions - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria - Defined Benefit.*

64. The Government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Government reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.

65. We have appropriately identified and properly recorded and disclosed in the financial statements, where applicable, all interfund transactions, including repayment terms.

66. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of federal programs administered by the Government has been discovered.

67. The GovGuam Retirement Fund (GGRF) initially recorded certain benefit payments as a receivable in the amount of $137,200,000 and reduced this amount each year by a portion of employer contributions received. For the year ended September 30, 2019, the statutory contribution rate for the DB Plan is 26.56% of covered payroll, of which 1.2016% was used to reduce this receivable. In the opinion of management of the Government, the corresponding liability is embodied within the governmental activities net pension obligation of $1,013,574,175. Thus, no separate corresponding liability is required to be recorded. Accordingly, management of the Government considers that this amount represents a consumption of net position that applies to a future period and, as a result, revised the GGRF financial statements by reclassifying this receivable as a deferred outflows of resources.

68. Other long-term liabilities include an amount due to the Internal Revenue Service (IRS) for excess Make Work Pay Credit payments received under the American Recovery and Reinvestment Act of 2009. In accordance with an agreement between the Government and the IRS, the amount due was renegotiated in the amount of $19,937,926. The Government has yet to finalize repayment terms and conditions with the IRS.

69. Regarding tax revenue abatement agreements, in accordance with GASB Codification Section 2300.107, *Notes to the Financial Statements*, we have disclosed to you all:

    a. Agreements that are entered into by the Government; and

    b. Agreements that are entered into by other governments and that reduce the Government's tax revenues.

Very truly yours,

Digitally signed by
Edward M Birn
Date: 2020.08.26
18:03:22 +10'00'

EDWARD M. BIRN
Director

GAUDENCIO "GOODY" A. ROSARIO
Deputy Financial Manager

Government of Guam
Appendix A
Summary of Uncorrected Misstatements
September 30, 2019

GENERAL FUND Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
1) To adjust for unreleased checks					
DR. Cash	Factual - Factual	3,372,225			
CR. Accounts payable			(3,372,225)		
2) To correct understatement of revenues (GPD, CBQ, DFA, NOAA)					
DR. Liabilities	Factual		2,417,405		
CR. Revenues	Factual				(2,417,405)
3) To correctly record Bus Service Revenues					
DR. Other liabilities and accruals	Factual		1,874,557		
CR. Revenues-Charges	Factual				(1,874,557)
4) To record permanent transfers					
DR. Due from other funds	Factual	(1,942,000)			
CR. Transfers out	Factual				1,942,000
5) To adjust accrued liabilities - old balances					
DR. Other liabilities and accruals	Factual		1,354,053		
CR. Revenues	Factual				(1,354,053)
6) To gross up COLA expenditures reimbursed from CU's					
DR. Expenditures	Factual				2,476,000
CR. Revenues	Factual				(2,476,000)
7) To accrue DOC liabilities for GMHA					
DR. Expenditures	Judgmental				2,374,789
CR. Liabilities	Judgmental		(2,374,789)		
8) To recognize liabilities for QC Corporate income tax credes					
DR. Revenues	Factual				4,944,306
CR. Liabilities	Factual		(4,944,306)		
9) To correct overstatement of tax provision					
DR. Liabilities	Factual		11,080,762		
CR. Revenues	Factual				(11,080,762)
10) To correct overstatement of prepayments					
DR. Lease payments	Factual				4,570,067
CR. Deposits	Factual	(4,570,067)			
11) To record receivable due from Federal Bureau of Prisons					
DR. Receivables	Factual	1,023,944			
CR. Revenues	Factual				(1,023,944)
12) To record claims payable					
DR. Expenditures	Factual				1,979,008
CR. Liabilities	Factual		(1,979,008)		
		(2,115,896)	4,956,449	-	(1,940,531)

FEDERAL GRANTS ASSISTANCE FUND Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
1) To report federal collections from Guam Election Commission					
DR. Cash	Factual	541,565			
CR. Deferred revenues	Factual		(541,565)		
		541,565	(541,565)		-

OTHER GOVERNMENTAL FUNDS Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
1) To adjust ambulance service receivables					
DR. Accounts receivable	Factual	1,194,986			
CR. Accounts payable	Factual				(1,194,986)
2) To record permanent transfers from the General Fund					
DR. Due to General Fund	Factual		1,942,000		
CR. Transfers in	Factual				(1,942,000)
3) To reverse old accruals					
DR. Other liabilities and accruals	Factual		1,521,490		
CR. Revenues	Factual				(1,521,490)
		1,194,986	3,463,490		(4,658,476)

GOVERNMENT WIDE Current Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
General Fund		(2,115,896)	4,956,449		(1,940,531)
Federal Grants Assistance Fund		541,565	(541,565)		-
Other Governmental Funds		1,194,986	3,463,490		(4,658,476)
1) To adjust net pension liability to include Gov, Lt Gov, Judges					
DR. Pension expense	Factual				6,537,547
CR. Net pension liability	Factual		(6,537,547)		
2) To adjust OPEB liability and deferred outflows related to OPEB					
DR. Deferred outflows - OPEB	Judgmental	5,705,712			
DR. OPEB expense	Judgmental				721,697
CR. OPEB liability	Judgmental		(6,427,409)		
		5,326,365	(6,006,051)		660,217

Government of Guam
Appendix B
Summary of Uncorrected Misstatements
September 30, 2018

GENERAL FUND Prior-Year Misstatements		Balance Sheet			Income Statement
Entry Description	Type of Entry	Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position at Beg of Year Dr (Cr)	Expenditures (Income) Dr (Cr)
1) To adjust deposit for lease payment (GDOE)					
DR. Deposit	Factual	(5,761,403)			
CR. Lease payment	Factual				5,761,403
2) To adjust prepayments related to leases					
DR. Prepayment	Factual	(4,572,692)			
CR. Lease payment	Factual				4,572,692
3) To accrue DOC liabilities for GMHA					
DR. Expenditures	Judgmental				2,261,149
CR. Liabilities	Judgmental		(2,261,149)		
		(10,334,095)	(2,261,149)		12,595,244

Government of Guam
Appendix C
Summary of Disclosure Items Passed
September 30, 2019

Footnote Number	Disclosure Title	Description of Condition Requiring Disclosure	Authoritative Literature Reference	Dollar Amount of Contract or Liability Disclosed
#13	Commitments and Contingencies	Expenditures exceeding appropriations within the General Fund and were not funded by legislative authorization. 1) LOB (Section 30) Series 2016 Debt Service Fund $4,098,043 2) Enhanced 911 Emergency Reporting System Fund $3,880,716 3) Landfill Tax Credits $938,249 4) Supplemental Annuity Benefits Fund $782,393 5) Guam Fire Department $477,928 6) Worker's Compensation Fund $236,668	GASB Statement No. 56 Codification of Accounting and Financial Reporting, Section 2300-Notes to financial statements	$ 10,411,987
#38	Receivables and Tax Abatement	Tax credits in the amount of $1,087,094 was not reconciled with transaction process system	GASB Statement No. 77 Tax Abatement Disclosures	$ 1,087,094