

COMPACT IMPACT RECONCILIATION

**Guam's Unreimbursed Costs of the
Compacts of Free Association**

Fiscal Year 1987 to Fiscal Year 2003

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Felix P. Camacho
Governor
Government of Guam

We have performed the procedures enumerated below, which were agreed to by the Government of Guam, with respect to substantiating compact impact costs of the Government of Guam from January 14, 1986 to September 30, 2003, pursuant to House Joint Resolution 63 (HR 63), Section 104, Public Law 108-188, dated December 17, 2003, of the Congress of the United States. The Government of Guam is responsible for maintaining records of compact impact costs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to agreed-upon procedures attestation engagements contained in the 2003 revision of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the Government of Guam. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Management's Assertion:

The Government of Guam, as responsible party, asserts the following:

- The schedules included in the Compact Impact Reconciliation of Un-reimbursed Compact Impact Costs from Fiscal Years 1987 through 2003 are mathematically accurate.
- The amounts claimed for un-reimbursed compact impact costs agrees to the Government of Guam financial accounting and reporting statements, and published population censuses.
- Eligible expenses claimed are according to the applicable provisions of HR 63, Public Law 108-188.
- The methodology to compute compact impact costs considered the findings and recommendations of the June 1993 U.S. Department of the Interior, Office of Inspector General Audit Report on "Impact of the Compact of Free Association on the Government of Guam" and the criteria contained in the June 1994 Office of Territorial and International Affairs (OTIA) "Guidelines for Preparation of A Report on Impact of the Compact of Free Association".

Procedures:

The agreed-upon procedures included, as specified by the Government of Guam:

1. Evaluating the Government of Guam's planning methodology for the determination of un-reimbursed costs and its definition of "un-reimbursed impact costs".
2. Evaluating the sufficiency of the overall substantiation report design, format and content to facilitate its completeness and appropriateness.
3. Tracing the amounts reported as impact costs to Government of Guam accounting records and financial reports or other evidence of support, and to determine compliance with the eligibility provisions of HR 63, Public Law 108-188.
4. Verifying the population figures used in calculating the determination and allocation of impact costs.
5. Verifying the mathematical accuracy of the report calculations, such as service costs, displacement costs, unit costs by department or program, and any other calculations in supporting schedules to the report.

We also considered the findings and recommendations of the June 1993 U.S. Department of the Interior, Office of Inspector General Audit Report on "Impact of the Compact of Free Association on the Government of Guam" and the June 1994 Office of Territorial and International Affairs (OTIA) "Guidelines for Preparation of A Report on Impact of the Compact of Free Association" in the application of these procedures.

The extent to which these agreed-upon procedures were performed, and our findings reported, was based on our professional judgment and financial materiality, which were agreed to by the Government of Guam.

Procedures Performed and Findings:

Procedures performed and our findings are as follows:

Department of Education (DOE):

The un-reimbursed compact impact costs for DOE, according to the Compact Impact Reconciliation schedule accompanying this report, is \$135,734,890.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for the department and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to Government of Guam audited General Purpose Financial Statements (GPFS) for those years the department was a line agency, and to DOE's internal financial reports for the years since the department became semi-autonomous, without exception.

We verified the annual total service population of public school students and compact public school students, as defined, to the department's Research, Planning and Evaluation (RP&E) Division student enrollment reports. Compact students listed on separate subsidiary reports, by name and ethnicity, were agreed to student registration forms in their cumulative record folders at their respective schools. There was a 1% exception rate within the sample of compact impact students selected for verification.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Department of Public Works (DPW) – (School) Bus Operations:

The un-reimbursed compact impact costs for DPW School Bus Operations, according to the Compact Impact Reconciliation schedule accompanying this report, is \$5,566,881.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for DPW School Bus Operations and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to DPW - Public Education program expenditures from Government of Guam audited General Purpose Financial Statements (GPFS) without exception.

We verified the annual total service population of public and private school students and compact public school students, as defined, to the same DOE Research, Planning and Evaluation (RP&E) Division student enrollment reports which were used to substantiate the DOE un-reimbursed compact impact costs, and to published Guam Annual Economic Review censuses of private school students without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Department of Public Health and Social Services (DPHSS) - Division of Public Welfare:
Bureau of Health Care Financing - Medically Indigent Program (MIP):

The un-reimbursed compact impact costs for the DPHSS MIP program, according to the Compact Impact Reconciliation schedule accompanying this report, is \$25,412,940.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for the department's Medically Indigent Program and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures and number of MIP claimants used as a basis to compute the un-reimbursed compact impact costs were agreed to DPHSS Medical Claims System (MCS) reports without exception. These reports listed the total number of patients, by ethnicity, and total dollar value for each fiscal year being reported.

We verified the total service population of compact MIP claimants by examining a detailed database report of all MIP compact ethnicity cases. Compact MIP claimants listed on this report, by name and ethnicity, were agreed to application forms in their respective claim file at DPHSS without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Community College (GCC):

The un-reimbursed compact impact costs for GCC, according to the Compact Impact Reconciliation schedule accompanying this report, is \$20,491,676.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for GCC and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to GCC audited financial statements and accompanying supporting schedules without exception.

We verified the annual total service population of GCC students and compact ethnicity students, as defined, to the College Registrar's Office admissions and registration student enrollment reports without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

University of Guam (UOG):

The un-reimbursed compact impact costs for UOG, according to the Compact Impact Reconciliation schedule accompanying this report, is \$16,573,500.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for UOG and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to UOG audited financial statements and accompanying supporting schedules without exception.

We verified the annual total service population of UOG students and compact ethnicity students, as defined, to the University Registrar's Office academic and student affairs enrollment reports without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Fire Department (GFD) and Guam Police Department (GPD):

The un-reimbursed compact impact costs for GFD and GPD, respectively, according to the Compact Impact Reconciliation schedule accompanying this report, are \$12,839,584 and \$16,075,850.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for GFD and GPD and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to program expenditures for GFD and GPD from Government of Guam audited General Purpose Financial Statements (GPFS) without exception.

We verified the annual island-wide service population and compact citizens' service population, as defined, to U.S. Department of Commerce, Bureau of the Census, Guam Censuses of Population and Housing, and accompanying supporting calculations of estimated population growth prepared by the Bureau of Statistics and Plans, Government of Guam without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Memorial Hospital Authority (GMHA):

The un-reimbursed compact impact costs for GMHA, according to the Compact Impact Reconciliation schedule accompanying this report, is \$8,353,319.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for GMHA and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to GMHA internal financial accounting reports and accompanying supporting schedules without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

We did not verify GMHA's annual total service population and the annual compact ethnicity service population to underlying statistical reports or data.

Remaining Reporting Agencies:

We did not perform agreed-upon procedures on the remaining agencies listed on the accompanying Compact Impact Reconciliation schedule. Our procedures and findings were limited to those agencies that have been specifically reported on above.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion and on the accompanying Compact Impact Reconciliation schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Compact Impact Reconciliation schedule is presented as supplemental information and for reference purposes only. We have no responsibility to update this report for data or information coming to our attention subsequent to the date of this report.

This report is intended solely for the use of the specified users, which include the Government of Guam, the Department of Interior, the President of the United States, and the United States Congress, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Slater, Nakamura & Co, LLP

SLATER, NAKAMURA & CO, LLP
Tamuning, Guam

April 12, 2004

UNAUDITED

Government of Guam

| COMPACT IMPACT RECONCILIATION -- FY 1987 to FY 2003 | |
|---|----------------------|
| Un-reimbursed Compact Impact Costs | \$269,313,119 |
| Education | |
| | \$178,366,947 |
| Department of Education | 135,734,890 |
| Department of Public Works - Bus Operations | 5,566,881 |
| Guam Community College | 20,491,676 |
| University of Guam | 16,573,500 |
| Public Safety | |
| | \$42,984,779 |
| Department of Corrections | 1,396,051 |
| Department of Law | 1,310,382 |
| Department of Military Affairs, Office of Civil Defense | 243,905 |
| Department of Youth Affairs | 2,442,022 |
| Guam Fire Department | 12,839,584 |
| Guam Police Department | 16,075,850 |
| Public Defender Services Corporation | 1,730,960 |
| Superior Court of Guam | 6,946,025 |
| Health, Welfare, and Labor | |
| | \$47,961,393 |
| Department of Public Health and Social Services | 38,495,872 |
| Division of Public Health | 5,507,141 |
| Chief Public Health Office | 723,708 |
| Bureau of Professional Support Services | 2,426,694 |
| Bureau of Family Health and Nursing Services | 2,356,739 |
| Division of Public Welfare | 31,560,010 |
| Bureau of Health Care Financing | |
| Medically Indigent Program (MIP) | 25,412,940 |
| Medicaid (MAP) | 6,147,070 |
| Division of Senior Citizens | 1,428,721 |
| Department of Mental Health and Substance Abuse | 411,713 |
| Department of Integrated Services for Individuals with Disabilities | 653,663 |
| Guam Memorial Hospital Authority | 8,353,319 |
| Department of Labor | 46,826 |