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General Services Agency Tendan Gobetnu Operations

Internal Audit Section Report No. 2021-02

September 24, 2021

The Department of Administration (DOA) Internal Audit Section (IAS) completed IAS Report No. 2021-02, General Services Agency (GSA) Tendan Gobetnu (Tendan) Operations.

Reason for Audit

This audit was initiated as part of the IAS' calendar year 2021 Audit Plan.

The audit objectives were to:

1. Assess the effectiveness of management and inventory control over Tendan supplies;
2. Determine if Tendan supplies inventory and receivables are fairly valued as of September 30, 2020; and
3. Evaluate the reasonableness and the benefits derived in maintaining a centralized Government Supplies Store.

The period of our review encompassed October 1, 2018 through September 30, 2020.

Results of Audit

Based on the Internal Audit Section's assessment, the audit team noted the following:

- GSA inventory issuances to departments increased from \$445 thousand (K) to 26 departments in FY 2019 to \$450K to 31 departments in FY 2020. Based on GSA's records, the top ten users of the Tendan made up 90% of the total expenditures in FY 2020.
- There is a need for updated standard operating procedures to ensure internal controls exist in the verification of whether perpetual and physical inventory records balance, review and disposition of slow-moving inventory, evaluation of damaged items, report reconciliations, and system updates and control.
- Tendan carries the items necessary for Government of Guam agencies to carry out their functions. Of the 23 requisitions tested in FY 2019 and FY 2020, 11 requisitions totaling \$9,733 complied, 10 requisitions totaling \$5,998 did not comply, and 2 requisitions totaling \$1,135 partially complied with Tendan processes.
- The physical year-end inventory spreadsheet and inventory adjustment report in the perpetual inventory system did not reconcile in FY 2020.
- As a result of their FY 2020 year-end physical inventory count, GSA found 23 items that did not reconcile with its perpetual inventory records. While GSA investigated and resolved the discrepancy for 4 of the 23 items, there was no evidence on file to show that the remaining 19 items were investigated and resolved. In March 2021, GSA implemented a daily reconciliation process to ensure inventory record accuracy.
- While processes have been implemented by DOA Division of Accounts, there is a need for standard operating procedures related to the invoicing, collection, and monitoring of accounts receivable for the GSA Inventory Revolving Fund.

- From FY 2019 through FY 2020, DOA collected 71% of the total amount billed to autonomous and semi-autonomous agencies.
- Lastly, there were variances in the reported amounts of inventory receipts and issuances based on GSA's inventory issuance report, receipts/issuances report, and issued document report by department.

Conclusion and Recommendations

The GSA Tendan's internal controls could be designed more effectively to ensure that standard operating procedures related to operations are updated and implemented for staff accountability, inventory receivables are managed and collected, and inventory reports are accurate.

As a result of this audit, the audit team made 14 recommendations to GSA and DOA Division of Accounts Management to improve processes moving forward. While GSA Management has not provided an official response to the results of our audit, DOA Division of Accounts Management have acknowledged the recommendations and have designed improvement actions to address them.

The full report has been prepared solely for the use of GSA Management. The information in the full report is deemed confidential and not for public distribution.