

ANNUAL AUDIT PLAN



DEPARTMENT OF
ADMINISTRATION

INTERNAL
AUDIT SECTION

CY 2024



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Hafa Adai!

The Department of Administration (DOA) Internal Audit Section (IAS) is responsible for providing objective and independent assurance and consulting activities designed to add value and improve the operations of DOA and Government of Guam line agencies. The IAS assists DOA and Government of Guam line agencies accomplish its objectives by providing a systematic and disciplines approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes.

The IAS' review of internal controls of DOA and Government of Guam line agencies will help identify areas of improvement and ensure efficiency and effectiveness of current processes. In conducting its audits, IAS staff adhere to the Institute of Internal Auditors' (IIA) International Standards for Professional Practice of Internal Auditing, U.S. Government Accountability Office's Standards for Internal Control in the Federal Government, and Generally Accepted Government Auditing Standards.

As required by IIA Standards, the Chief Audit Executive (Chief Auditor) must establish a risk-based plan to determine the internal audit activity, consistent with the organization's goals. The Chief Auditor will communicate the Internal Audit Plan and resource requirements, impact of resource limitations, and any significant interim changes to the Director. In February 2024, the IAS completed this requirement by presenting the calendar year (CY) 2024 Annual Audit Plan to the DOA Director.

Through deliberations and voting, IAS prioritized audits based on the following assessment factors – financial impact, program risk, and public concern. The outcome of our risk assessment resulted in performance audits related to government expenditures and information security.

The IAS' CY 2024 Annual Audit Plan may be adjusted based on input from the Chief Auditor because of emerging issues, availability of resources, or other circumstances. Adjustments to the CY 2024 Annual Audit Plan may occur based on audit requests received. This plan is amendable to change due to the investigation of potential fraud, conflicts of interests, or other irregularities that come to IAS' attention.

Si Yu'os Ma'åse',

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ANNUAL AUDIT PLAN

Calendar Year 2024



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The annual audit plan is a guide that is developed for the use of the Department of Administration (DOA) Internal Audit Section during the calendar year (CY) to address risks and inadequacies in the internal control system of the DOA and Government of Guam line agencies.

The project objectives proposed in this plan are in general terms. The specific objective of each audit project is determined by the detailed assessment of the circumstances at the time the audit engagement is initiated.



MISSION

Provide objective and independent assurance and consulting activities designed to add value and improve the operations of DOA and Government of Guam line agencies.

PURPOSE

Assists DOA and Government of Guam line agencies accomplish its objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes.



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INTRODUCTION

The DOA Internal Audit Section was created in November 2020. In January 2021, the DOA Director approved the Internal Audit Charter. In the absence of an Audit Committee, the Internal Audit Section functionally and administratively reports to the DOA Director.

As of February 2024, the Internal Audit Section is comprised of 2 employees.

PROFESSIONALISM

The Internal Audit Section adheres to the Institute of Internal Auditors mandatory guidance including the Definition of Internal Auditing, Code of Ethics, and International Standards for Professional Practice of Internal Auditing (IPPF). Further, the Internal Audit Section conducts its audits in accordance with Generally Accepted Government Auditing Standards (GAGAS).

RISK ASSESSMENT FACTORS

The Internal Audit Section identifies and prioritizes potential audits using a risk-based approach by examining a variety of factors that may expose the Government of Guam to fraud, waste, or abuse. The following key factors were considered in the development of the audit plan:

- Size of the department, program, activity, or contract and the nature of its operations;
- Quality of the internal control system;
- Changes in systems, processes, policies, or procedures;
- Fiscal sustainability;
- Complexity of transactions;
- Internal and external monitoring and oversight;
 - Extent of governmental regulation; and
 - Staff turnover.

The Internal Audit Section shall conduct performance audits and follow-up reviews that:

- Appraise the efficiency and effectiveness of operations;
- Evaluate adherence to agency policies and procedures and compliance with federal and local laws and regulations; and
- Assess the adequacy, effectiveness, and application of administrative and financial controls for safeguarding agency assets and ensuring the reliability of information and data.

PERFORMANCE AUDITS

Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability. [GAGAS 1.21]

The Internal Audit Section commits to completing the performance audits that have started before CY 2024 and starting new performance audits as resources permit.

COMPLETED PERFORMANCE AUDITS

As of February 2024, the Internal Audit Section completed and issued 9 performance audits. See Table 1 for the completed projects.





Table 1: Completed Performance Audits¹

Agency	Title	Release
Department of Public Health and Social Services	Medicaid Assistance Program and Medically Indigent Program	May 2021
General Services Agency	Tendan Gobetnu Operations	September 2021
Treasurer of Guam	Cash Receipts Postings	March 2022
Guam Homeland Security/ Office of Civil Defense	Preparedness and Hazard Mitigation Grants Review	October 2022
Department of Administration	Guam Homeowner Assistance Fund Program	December 2022
General Services Agency	GSA Indefinite Quantity Bid Guarantees	April 2023
Guam Regional Transit Authority	Vehicle Procurement and Maintenance	September 2023
Government of Guam	Federal Indirect Cost Recovery	January 2024

¹ One audit is not listed as it involves an investigative review, which must be treated with strict confidentiality. The content of the report is solely intended for the addressed parties and is not for public distribution.



ONGOING PERFORMANCE

AUDITS

In addition to the projects selected, audit hours are also dedicated to ongoing performance audits and follow-up reviews. As of CY 2024, the Internal Audit Section has one ongoing performance audit. We anticipate completing this audit before the end of second quarter of CY 2024. See Table 2 below for a list of ongoing performance audits.

Table 2: Ongoing Performance Audits as of CY 2024

Agency	Title	Release
Disaster Recovery Center	Emergency Management Performance Grants Review	June 2024

NEW PERFORMANCE AUDITS

Through extensive deliberations and risk assessments, the Internal Audit Section establishes an annual audit plan to determine what government line agencies and programs to review.

The Internal Audit Section determined the order of priority of the new audits by applying a risk-based approach. This risk-based approach included the following factors:

1. Financial Risk – 40%
 - Is there a potential loss in revenue or cost savings to the Government of Guam?
2. Program Risk – 35%
 - What is the likelihood that the program will not meet its goals?
3. Public Concern – 25%
 - What is the likelihood that the program will not meet its goals?

This process helps the Internal Audit Section decide where to invest its limited resources. As a result, we compiled four additional performance audits to tackle in CY 2024.

See Table 3 for a list of the new performance audits in CY 2024.



PERFORMANCE AUDITS

CY 2024

AGENCY	TITLE	POTENTIAL OBJECTIVE
Government of Guam	Fuel Cost	<ol style="list-style-type: none">1) Determine whether the fuel consumption of government vehicles are effectively controlled and properly accounted for.2) Determine whether all rules and regulations governing fuel consumption are adhered to.
Department of Public Health and Social Services	Hazardous Pay Disbursement	<ol style="list-style-type: none">1) Verify the accuracy and completeness of hazardous pay transactions of eligible employees to ensure whether appropriate compensations were received in accordance with rules and regulations.2) Assess the internal controls governing hazardous pay disbursements whether controls were in place to prevent errors, improper authorizations, and adherence to eligibility criteria.
Department of Administration	Vendor Payments	<ol style="list-style-type: none">1) Evaluate the timeliness of vendor payment processes and ensure that payments are made in accordance with contract terms.2) Determine the cost of goods and services purchased from the top 10 vendors.
Government of Guam	Access Controls	<ol style="list-style-type: none">1) Determine whether proper controls are in place to ensure privileges for personnel are appropriate permissions based on their job responsibilities.

To ensure that the Internal Audit Section maintains a steady workload throughout the year, some audit projects are scheduled to start near the end of one calendar year and require time in the following year to complete.

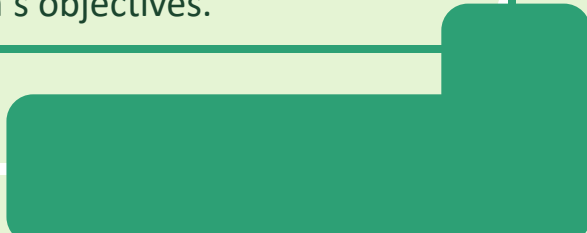


SECONDARY PERFORMANCE AUDIT CONSIDERATIONS

While the Internal Audit Section has prioritized 4 additional performance audits to tackle in CY 2024 based on their risk assessment, we have also identified additional audit projects for potential exploration in the future. These audit projects will be explored if time permits or if there is an increasing demand or relevance to the

Table 4: Secondary Performance Audit Considerations

AGENCY	TITLE	POTENTIAL OBJECTIVE
Department of Administration	Bounced Checks and Stale-Dated Checks	<ol style="list-style-type: none"> 1) Determine whether adequate controls are in place to minimize the occurrence of bounced checks and stale-dated checks. 2) Quantify the recoverable amount associated with bounced checks and stale-dated checks.
Department of Revenue and Taxation	Limited Exemptions for Certain Small Businesses	<ol style="list-style-type: none"> 1) Determine the impact on Government of Guam revenues and whether proper controls were in place to ensure businesses were taxed accordingly.
Department of Agriculture	Compensation Controls	<ol style="list-style-type: none"> 1) Determine whether controls were in place to ensure that staff were receiving authorized and accurate compensation.
Department of Parks and Recreation	Rip Current and Hiking Safety Awareness Program and Outreach Plan	<ol style="list-style-type: none"> 1) Determine the program's effectiveness in educating the public about potential risks and safety measures associated with swimming and hiking. 2) To assess the allocation and utilization of resources associated with the program's objectives.



FOLLOW-UP REVIEWS



The Chief Auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented. [IPPF 2500.A1] Follow-Up reviews are conducted by internal auditors to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported findings and recommendations. This process determines if management actions have resulted in lowering risks or if management has assumed the risk of not taking corrective action on reported findings.

OTHER RESPONSIBILITIES

Besides conducting performance audits, the Internal Audit Section is a liaison for independent financial audits, takes part in the independent audit firm selection process in DOA's Request for Proposals, and handles investigative hotline tips/citizen concerns.

FINANCIAL AUDITS AND FINANCIAL AUDIT REQUESTS FOR PROPOSALS

Financial audits provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria. [GAGAS 1.17]

DOA currently contracts three financial audits annually – Government of Guam Wide, Tourist Attraction Fund, and Guam Highway Fund. The Internal Audit Section acts as a liaison with external financial auditors and the Office of Public Accountability, who is mandated to oversee the annual financial audits.

A Request for Proposal solicitation process is used for procuring the services of accountants, physicians,



lawyers, dentists, licensed nurses, other licensed health professionals, and other professionals. [5 GCA § 5121 (a)] As such, DOA administers the procurement of independent financial audit services for the Government of Guam, Tourist Attraction Fund, Guam Highway Fund, and Government of Guam Solid Waste Authority Operational Funds. The Internal Audit Section takes part in the independent audit firm selection process.

Investigative Hotline Tips/Citizen Concerns

The Internal Audit Section is in the process of establishing a hotline that provides a confidential way for citizens and government employees to share their concerns and report improper government activities, such as illegal acts (corruption, bribery, fraud, etc.), misuse or abuse of government property or time, and gross misconduct. Currently, the Internal Audit Section receives hotline tips/citizen concerns relative to line agencies and related programs through the Office of Public Accountability.

Training and Professional Development

Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of continuing professional education in every 2-year period as follows:

- 24 Hours: Subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates.
- 56 Hours: Subject matter that directly enhance auditors' professional expertise to conduct engagements. [GAGAS 4.16]

The Chief Auditor, or in his absence, DOA Director determines participation in training based on each auditor's development need, qualification, and timing in relation to ongoing projects.



Monitoring and Evaluation of Annual Audit Plan



The Internal Audit Section may adjust this annual audit plan based on input from the Chief Auditor because of emerging issues, availability of resources, or other circumstances. Adjustments to the annual audit plan may occur based on audit requests received. This plan is amendable to change due to the investigation of potential fraud, conflicts of interest, or other irregularities that come to the Internal Audit Section's attention.



APPENDIX I

ESTIMATED STAFF PROJECT HOURS AVAILABLE IN CY 2024

An analysis was conducted to determine the amount of direct audit time that would be available by audit staff to ensure that internal audit resources are sufficient and effectively utilized to achieve the approved audit plan. The Government of Guam holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources that are available in CY 2024.

Total Annual Available Hours per Auditor	
Annual Totals	Hours
Total Hours (Based on 52 Weeks x 40 Hours per Week)	2,080
Planned Holidays	(96)
Anticipated Leave (20 Days—Annual/Sick/Administrative)	(160)
Financial Audit/RFP Hours	(80)
Investigative/Administrative/Other	(160)
Training & Professional Development Hours	(60)
Total Available Direct Hours	1,524
Total Performance Audit Hours Available (2 Field Auditors)	3,048
Anticipated Hours to Complete Ongoing Projects	(400)
Available Hours for Performance Audits in 2024	2,648
Budget Hours per New Performance Audit	650
Number of New Performance Audits	4
Number of Ongoing Performance Audits	1
Target Number of Performance Audits for Release in CY 2024	5

