



OFFICE OF THE PUBLIC AUDITOR

Guam Public School System FY 2007 Cash Disbursement Schedule

Legislative Mandate

**OPA Report No. 07-01
February 2007**

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OFFICE OF THE PUBLIC AUDITOR

February 19, 2007

Luis S.N. Reyes
Superintendent of Education
Guam Public School System
P.O. Box DE
Hagåtña, Guam 96932

Ms. Lourdes M. Perez
Director
Department of Administration
P.O. Box 884
Hagåtña, Guam 96932

Dear Superintendent Reyes and Ms. Perez:

In response to our meeting with the Attorney General and Speaker Forbes on February 6, 2007, this letter serves to satisfy Chapter II, Part I, Section 1 of Public Law (P.L.) 28-149:

(b) The Superintendent of Education shall create and submit to the Speaker of *I Liheslaturan Guahan*, *I Maga'lahen Guahan* and the Director of Administration projected schedules of monthly cash disbursements for each school, division and program, by expenditure category, for the fiscal year. Such projected disbursements shall not exceed the total amount appropriated by *I Liheslaturan Guahan* for the purpose of such appropriation. The Public Auditor shall approve the schedules.

The attached Guam Public School System (GPSS) FY 2007 monthly cash disbursement schedule (Attachment 1) was prepared by OPA based on the calculations of historical costs as presented in previous OPA reports.¹ The amount appropriated for operations by P.L. 28-149 was \$172,957,804. In our previous reports, the calculations indicated that \$152,379,574, or 88% of current appropriations, would be required for salaries and benefits and \$14,383,230, or 8%, would be required for power, water, and telephone costs. This leaves only \$6,195,000, or 4% of the \$173 million, for other operational expenses such as travel, contractual, supplies, equipment, miscellaneous, and capital outlay. This is \$12,186,845 less than the \$18 million indicated on the cash drawdown schedule submitted by GPSS on October 12, 2006.

In order to meet operational needs and not exceed the appropriated amounts, the \$6.2 million was allocated evenly amongst the remaining eight months of FY 2007, or February 2007 through September 2007. However, because of the critical cash flow situation of the government of Guam, the proportionate amount of the \$6.2 million was not allocated for the months of March

¹ OPA Report No. 06-13, issued in October 2006, Guam Public School System Payroll Analysis and OPA Report No. 06-17, issued in December 2006, Guam Public School System Utilities Analysis.

and September. These months have three pay periods and will already require substantial cash to meet the additional payroll needs.

We conducted two analyses of the GPSS's historical costs to fulfill the mandate without compromising our independence as it relates to GPSS and the government of Guam. According to Government Auditing Standards,² the OPA cannot make management decisions, such as approving the GPSS cash disbursement schedule.

In our October 2006 report, we provided calculations that indicated \$152,379,574, or 88% of current appropriations, would be required for FY 2007 payroll costs of locally funded employees: \$120,516,140 for salaries and \$31,863,433 for benefits. This calculation included a majority of the fourteen percent (14%) teacher salary adjustment recommended by the Department of Administration as required by P.L. 28-36, as well as the seventeen percent (17%) pay differential authorized for school principals and assistant school principals and any adjustments for incumbent associate and assistant associate superintendents. However, the calculation did not include administrator adjustments made after September 30, 2006. The calculation also includes the increase in retirement fund contributions from 21.81% to 22.94% for FY 2007. However, the calculation did not consider any anomalies that may occur during FY 2007 such as employee retirement, resignation, or hiring.

In our December 2006 report, we provided calculations that indicated that \$14,383,230, or 8%, would be required for utilities: \$12,379,803 for power, \$1,732,165 for water, and \$271,262 for telephone costs. The calculations did not consider any anomalies that may occur during FY 2007 such as changes in utility rates, usage, disconnections, or additions.

Our procedures were performed for the benefit of the Guam Public School System, the Department of Administration, and the Bureau of Budget and Management Research, and the Guam Legislature.

Public Law 28-149 Appropriations

In P.L. 28-149, the Legislature appropriated a total of \$184,346,466 to GPSS for FY 2007 from the General Fund, the Healthy Futures Fund, School Lunch/SAE/Child Nutrition Meal Reimbursement Fund, the Summer School Fund, and FY 2008 General Fund revenues.

Of the \$184 million appropriated to GPSS, \$172,957,804 was appropriated for GPSS operations. However, the Legislature attached several conditions on the expenditure of these operational funds. For example, up to \$1,098,345 was appropriated for the implementation of the GPSS Student Management System, \$8,500 shall be used for musical instrument repairs, and \$275,000 for management audits. The appropriations for the audits expired on January 31, 2007.

P.L. 28-149 also appropriated an additional \$11,388,662 for other purposes and programs such as interscholastic sports, health and physical education, school nutritional meals, vandalism, summer school, and textbooks. The attached FY 2007 monthly cash disbursement schedule did not factor these amounts because of the various restrictions placed on them by the Legislature. See Attachment 2 for details of those restricted appropriations.

² January 2007 Revision issued by the Comptroller General of the United States, www.gao.gov.

GPSS Submitted Cash Drawdown Schedule

On October 12, 2006, the Superintendent of Education transmitted a cash drawdown schedule to the OPA, which estimated \$185,915,407 for GPSS operations. In this schedule, GPSS estimated \$167,533,562 for salaries, benefits, power, water, and telephone and \$18,381,845 for other cost categories such as travel, contractual, supplies, equipment, miscellaneous, and capital outlay. Overall, the GPSS cash drawdown schedule exceeded the appropriated amount by \$12,957,603. See Attachment 3 for the cash drawdown schedule submitted by GPSS.

As mentioned in our previous reports, the government of Guam’s fiscal condition is deteriorating with a growing deficit pegged at \$344 million as of September 30, 2005. With mounting obligations and reduced revenues, the deficit is projected to be higher as of the end of for FY 2006. Therefore, DOA will still be faced with the urgency of meeting operational needs of not only GPSS, but all governmental entities and continue to release funds to GPSS as cash is available regardless of estimates. It is incumbent on GPSS to manage the available cash and prioritize payroll liabilities and meet other obligations within its lump sum appropriation.

The attached monthly cash disbursement schedule gives GPSS the flexibility to manage the operational cash it receives from DOA. With this flexibility is the expected sound fiscal management of this cash in order to meet GPSS needs outlined within the budgeted plan. The Legislature by its lump sum appropriation of \$172,957,804 gave GPSS total flexibility. The management of the funds is now up to GPSS to ensure its goals are met within this amount.

Based on the aforementioned procedures, nothing came to my attention to indicate that the attached monthly cash disbursement schedule requires adjustment and such may therefore be utilized for the intended purposes of the utilizing parties.

If you should have any questions, please contact me or Yuka Cabrera.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

- cc: Governor of Guam
- Speaker, 29th Guam Legislature
- Senators, 29th Guam Legislature
- Attorney General
- Director, Bureau of Budget and Management Research
- Chairman, Guam Education Policy Board

ATTACHMENT 1: OPA Prepared GPSS FY 2007 Monthly Cash Disbursement Schedule

GPSS Operations

	Salaries¹	Benefits	Power	Water	Telephone	Other²	Total³
October	\$ 9,426,508	\$ 2,492,288	\$ 1,064,576	\$ 84,706	\$ 22,605	\$ -	\$ 13,090,682
November	9,250,318	2,445,705	1,111,318	103,178	22,605	-	12,933,123
December	9,600,205	2,538,212	1,059,430	130,132	22,605	-	13,350,584
January	9,276,038	2,452,505	987,885	113,915	22,605	-	12,852,948
February	9,486,205	2,508,071	999,091	224,296	22,605	1,032,500	14,272,768
March	14,436,123	3,816,787	1,066,715	135,993	22,605	-	19,478,224
April	9,399,693	2,485,198	1,057,306	137,183	22,605	1,032,500	14,134,485
May	9,617,342	2,542,743	1,146,556	144,333	22,605	1,032,500	14,506,079
June	8,432,639	2,229,517	1,119,573	146,432	22,605	1,032,500	12,982,266
July	8,372,429	2,213,598	847,414	123,990	22,605	1,032,500	12,612,537
August	7,856,299	2,077,138	816,872	193,629	22,605	1,032,500	11,999,043
September	15,362,343	4,061,672	1,103,066	194,377	22,605	-	20,744,063
Total	\$ 120,516,140	\$ 31,863,433	\$ 12,379,803	\$ 1,732,165	\$ 271,262	\$ 6,195,000	\$ 172,957,804

¹ Salaries and benefits based on 9/16/06 and 9/30/06 payroll data. Employee count was 2,992 and 2,999, respectively.

² Allotments for "Other" category are inclusive of travel, supplies, equipment, miscellaneous, and capital outlay.

³ Totals may not add due to rounding.

Other GPSS Programs

Interscholastic sports fund	\$ 509,246
Health and physical education activities	324,416
Y Kuantan Salappe' Prinsepat (Principal's Fund)	555,000
School nutritional meals	6,500,000
Summer School	-
Textbooks and collateral materials	<u>3,500,000</u>
Total Other GPSS Programs	<u>11,388,662</u>
Total FY 2007 Appropriations	\$ <u>184,346,466</u>

ATTACHMENT 2: Public Law 28-149 GPSS Appropriations

Section of P.L. 28-149:	For:	Source:	Amount
Chapter II Part I Section 2 (a) Chapter II Part VI Section 4 Chapter II Part VI Section 11	Includes salary adjustments pursuant to P.L. 28-36, as amended by P.L. 28-68 - Software, training, system conversion services, consulting and project management, hardware servers, hardware storage peripherals and hardware redundancy systems in the implementation of the GPSS Student Management System- \$1,098,345 - Repair of musical instruments for band and music classes and programs- \$8,500 - Contract with independent educational auditing organization to audit the GPSS's capability to provide an adequate education as that term is defined by Title 1 GCA Section 715, Item 12, and to identify recommendations to remedy deficiencies. This appropriation expires 120 days after enactment thereof- \$100,000 - Contract with an independent educational auditing organization to conduct an objective audit and assessment of the GPSS and to identify recommendations to remedy deficiencies...This appropriation shall expire 120 days after the enactment thereof- \$175,000	General Fund	\$172,957,804
Chapter II Part I Section 2 (b)	Interscholastic Sports Fund - Interscholastic sports programs	Healthy Futures Fund	\$ 509,246
Chapter II Part I Section 2 (c)	Health and Physical Education programs, intramural sports, and similar activities	Healthy Futures Fund	\$ 324,416
Chapter II Part I Section 2 (d)	Y Kuantan Salappe' Prinsepat (Principal's Fund) - Allocation to each school based on student population at the end of the prior school year. To develop and implement a program to protect schools from vandalism.	General Fund	\$ 555,000
Chapter II Part I Section 2 (e)	Non-operating expenses incurred in accordance with the established guidelines for school nutritional meals programs	School Lunch/SAE/Child Nutritional Meal Reimbursement Fund	\$ 6,500,000
Chapter II Part I Section 2 (f)	Operations of 2007 Summer School Program	Summer School Fund	none stated
Chapter II Part I Section 2 (g)	Textbooks, e-book readers and collateral materials to include software, sheet music and music books	General Fund (2008 revenues)	\$ 3,500,000
		Total:	\$184,346,466

ATTACHMENT 3: Cash Drawdown Schedule as Submitted by GPSS

GUAM PUBLIC SCHOOL SYSTEM
CASH DRAWDOWN SCHEDULE
FISCAL YEAR 2007

10/12/2006

	111	113	220	230	240	250	290	361	362	363	Capital		Add'l Approp	Monthly Drawdown
	Salaries	Benefits	Travel	Contratual	Supplies	Equipment	Miscell.	Power	Water	Telephone	Outlay	TOTAL	To be Requested	Request FY 2007
OCTOBER	4,757,507	1,223,592	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	8,515,862	1,079,800	7,436,061
NOVEMBER	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
DECEMBER	14,272,522	3,669,537	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	20,476,822	1,079,800	19,397,021
JANUARY	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
FEBRUARY	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
MARCH	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
APRIL	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
MAY	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
JUNE	14,272,522	3,669,537	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	20,476,822	1,079,800	19,397,021
JULY	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
AUGUST	9,515,015	2,446,358	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	14,496,135	1,079,800	13,416,335
SEPTEMBER	14,272,522	3,669,537	833	1,052,967	364,629	39,801	72,757	818,283	43,785	140,873	833	20,476,822	1,079,800	19,397,021
TOTAL	123,695,191	31,803,069	10,000	12,635,600	4,375,550	477,615	873,080	9,819,397	525,425	1,690,480	10,000	185,915,407	12,957,603	172,957,804

TOTAL FY 2007 APPROPRIATION	172,957,804
(LESS) GPSS STUDENT MGMT SYSTEM (PL 28-149 CHP II, PART I, SECTION 2 (a))	1,098,345
(LESS) REPAIR OF MUSICAL INSTRUMENTS (PL 28-149 CHP II, PART IV, SECTION 4	8,500
(LESS) AUDIT ADEQUACY OF PROVIDING EDUCATION (PL 28-149 CHP II, PART IV, SECTION 11)	100,000
(LESS) AUDIT - MANAGEMENT (PL 28-149 CHP II, PART IV, SECTION 12)	175,000
REMAINING BAL FY 2007 OPERATIONS APPROPRIATION	171,575,959
REVISED FY 2007 BUDGET	185,915,407
FY 2007 APPROPRIATION	172,957,804
SHORTFALL/(OVERAGE)	12,957,603

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