



Guam Department of Education FY 2017 Financial Highlights

July 2, 2018

The Guam Department of Education (GDOE) closed Fiscal Year (FY) 2017 with a \$17.5 million (M) increase in fund balance compared to a \$1.2M increase in FY 2016. This was primarily due to a \$10.6M increase in local appropriations and Federal grant contributions and a \$5.7M decrease in expenditures, net of capital leases. Independent auditors Deloitte & Touche, LLP issued an unmodified (clean) opinion on GDOE's financial statements. GDOE remains a high risk grantee with the U.S. Department of Education (USDOE) for the past 15 years.

Revenues Increase, Expenditures Decrease

Total revenues increased by \$10.6M with local appropriations increasing by \$4.4M, and federal grants and contributions increasing by \$7.6M. Cafeteria sales were \$146 thousand (K), which decreased from \$200K and will continue to decrease as GDOE enrolls more schools in the Community Eligibility Provision program in which students eat at no cost.

Total GDOE expenditures net of capital lease acquisitions decreased by \$5.7M due to GDOE's attempts to contain costs, especially contractual services. Payments for air-conditioning maintenance, Third Party Fiduciary Agent, and internet services were \$2.4M less than FY 2016. Charter school expenditures increased by \$2.2M due to an increase in enrollment as well as per enrollee fees as approved by the Budget Act. Decreases in elementary education expenditures of \$5.5M and secondary education expenditures of \$8.9M were largely due to a combination of reductions in operational costs, leases expenses, and net pension liability. Salaries and benefits, including retirement and retiree healthcare benefits, represent a primary component of GDOE expenditures, accounting for \$223.7M or 64.5% of total (federal and local) expenditures in FY 2017. Of the total salaries and benefits expenditures, 85% or \$191.1M was locally funded and \$32.5M was federally funded.

100% Locally Funded Employees Decrease

The number of employees decreased by 67, from 3,908 to 3,841 as of September 30, 2017. Locally funded employees decreased by 57 and federally funded employees decreased by 56. These decreases were offset by the increase in locally/federally funded employees of 46. Employees counted as locally/federally funded were primarily locally funded elementary teachers who also participated in the federally funded afterschool program, ASPIRE.

Third Party Fiduciary Agent (TPFA)

FY 2017 marks the fifth year GDOE has incurred local expenditures associated with addressing its high risk grantee status by USDOE. Special Conditions required the financial management functions of USDOE grants to be supervised by the TPFA. The TPFA contract, which originally expired in October 2016, was extended while procurement is in process. As required by the Special Conditions, USDOE must approve the selection in order for GDOE to continue to have access to

grant funding. Transition plans, first developed between the TPFA and GDOE in FY 2015, continued to be monitored and updated throughout FY 2017.

Capital Assets and Long-Term Debt

As of September 30, 2017, GDOE's investment in capital assets for its government activities increased by \$14.6M due to the addition of \$27M for the new Tiyan office building and warehouses, but was offset by the \$736K retirement of 14 vehicles and accumulated depreciation of \$12M. By the end of FY 2017, GDOE had not assumed occupancy of the Tiyan office building and warehouses due to the delay in completion and occupancy, largely related to the installation and activation of the fire suppression system and sufficient water pressure to support the system.

Management Letter

Independent auditors issued a management letter containing six findings relating to: (1) untimely general ledger reconciliations; (2) non-appropriated funds' opening balances did not reconcile for 23 of 41 schools, bank reconciliations were not timely or accurately performed, bank statements identified fewer deposits than recorded receipts, and certain items tested did not meet NAF documentation requirements; (3) unrecorded liabilities where invoices should be timely submitted for processing; (4) outdated overtime exemption listing dated August 1995, Governor's Directive 95-029, is used to determine the eligibility of employees to accrue overtime; (5) travel procurement where GDOE was unable to determine when the rotation log with six travel agencies listed was last updated; and (6) frequent and tedious reconciliations with TPFA records.

Compliance Report

Independent auditors identified three findings. The findings were significant deficiencies related to (1) federal reimbursements not being offset against program expenditures; (2) questioned costs of \$32K relating to the procurement of structural engineering services, construction services, indefinite quantity contract for hardware supplies and air-conditioning equipment and preventive maintenance services were in noncompliance with applicable procurement regulations, and (3) the lack of coordination between GovGuam and GDOE for purposes of compliance with the applicable level of effort requirement related to budgeted funds for early intervention services for eligible children and their families.

For a more detailed discussion on GDOE's operations, see the Management's Discussion and Analysis in the audit report, as well as the reports in their entirety, at www.opaguam.org.