

Reports on Compliance

Guam Department of Education
(A Line Agency of the Government of Guam)

Year Ended September 30, 2023



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Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Guam Education Board
Guam Department of Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements, and have issued our report thereon dated November 6, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GDOE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GDOE's internal control. Accordingly, we do not express an opinion on the effectiveness of GDOE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GDOE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GDOE's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on GDOE's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. GDOE's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

November 6, 2024



Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Guam Education Board
Guam Department of Education

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Guam Department of Education's (GDOE's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of GDOE's major federal programs for the year ended September 30, 2023. GDOE's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on the Child Nutrition Cluster; Special Education Cluster (IDEA); ALN 84.403 Consolidated Grant to the Outlying Areas; and ALN 84.425 Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, GDOE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster; Special Education Cluster (IDEA); ALN 84.403 Consolidated Grant to the Outlying Areas; and ALN 84.425 Education Stabilization Fund for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, GDOE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of GDOE and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of GDOE’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Child Nutrition Cluster; Special Education Cluster (IDEA); ALN 84.403 Consolidated Grant to the Outlying Areas; and ALN 84.425 Education Stabilization Fund

As described in Findings 2023-004, 2023-009, 2023-012, 2023-013, 2023-015, and 2023-016 in the accompanying Schedule of Findings and Questioned Costs, GDOE did not comply with requirements regarding the following:

Finding #	Assistance Listing #	Program or Cluster Name	Compliance Requirement
2023-004	10.555	Child Nutrition Cluster	Eligibility
2023-009	84.027	Special Education Cluster (IDEA)	Period of Performance
2023-012	84.403	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment
2023-013	84.403	Consolidated Grant to the Outlying Areas	Reporting
2023-015	84.425	Education Stabilization Fund	Matching, Level of Effort, Earmarking
2023-016	84.425	Education Stabilization Fund	Reporting

Compliance with such requirements is necessary, in our opinion, for GDOE to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to GDOE's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on GDOE's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about GDOE's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding GDOE's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of GDOE's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of GDOE's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005, 2023-006, 2023-007, 2023-008, 2023-010, 2023-011, and 2023-014. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on GDOE's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. GDOE's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

GDOE is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. GDOE's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004, 2023-009, 2023-012, 2023-013, 2023-015, and 2023-016 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-005, 2023-006, 2023-007, 2023-008, 2023-010, 2023-011, and 2023-014, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on GDOE's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. GDOE's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

GDOE is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. GDOE's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the Guam Department of Education (GDOE), a line agency of the Government of Guam, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements. We issued our report thereon dated November 6, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst + Young LLP

November 6, 2024

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct:				
Child Nutrition Cluster:				
National School Lunch Program (NSLP)	10.555		\$ 466,840	16,809,504
Subtotal Child Nutrition Cluster				<u>16,809,504</u>
Child and Adult Care Food Program	10.558		18,750	34,833
State Administrative Expenses for Child Nutrition	10.560			257,847
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568			5,918
Subtotal Food Distribution Cluster				<u>5,918</u>
Team Nutrition Training Grant	10.574			12,444
Child Nutrition Discretionary Grants Limited Availability	10.579			2,584
Total U.S. Department of Agriculture			<u>\$ 485,590</u>	<u>\$ 17,123,130</u>
U.S. DEPARTMENT OF DEFENSE:				
Direct:				
Army JROTC	12.U01			\$ 303,008
Air Force JROTC	12.U02			218,197
Marine JROTC	12.U03			74,691
Total U.S. Department of Defense				<u>\$ 595,896</u>
U.S. DEPARTMENT OF THE INTERIOR:				
Pass-Through Government of Guam - Department of Administration:				
Economic, Social, and Political Development of the Territories	15.875	778904292		\$ 1,213,646
Technical Assistance Program	15.875	778904292		43,077
Municipal School Leaseback	15.875	778904292		5,740,250
Total U.S. Department of the Interior				<u>\$ 6,996,973</u>
U.S. DEPARTMENT OF EDUCATION:				
Direct:				
Special Education Cluster (IDEA):				
Special Education-Grants to States (IDEA, Part B)	84.027			\$ 16,444,538
COVID-19, American Rescue Plan - Individuals with Disabilities Education Act (ARP)	84.027X			2,802,626
Subtotal Special Education Cluster (IDEA)				<u>19,247,164</u>
Special Education-Grants for Infants and Families	84.181			1,672,212
Project Hita Para M'ona / State Personnel Development	84.323			160,284
Striving Readers / Comp. Literacy Development	84.371			326,597
Statewide Longitudinal Data System	84.372			267,608
Consolidated Grant to the Outlying Areas	84.403			26,196,814
Student Support & Academic Enrichment	84.424F			14,274
Education Stabilization Fund:				
COVID-19, Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			38,152,694
COVID-19, American Rescue Plan - State Agency Educational Agency (Outlying Areas) (ARP-OA SEA)	84.425X			4,007,182
Subtotal Education Stabilization Fund:				<u>42,159,876</u>
Total U.S. Department of Education				<u>\$ 90,044,829</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct:				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			\$ 162,290
Head Start Cluster:				
Head Start	93.600			3,708,140
COVID-19/ ARP/CRRSA - Head Start Supplement	93.600			210,378
Subtotal Head Start Cluster				<u>3,918,518</u>
Total U.S. Department of Health and Human Services				<u>\$ 4,080,808</u>
Total Federal Awards Expended			<u>\$ 485,590</u>	<u>\$ 118,841,636</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Guam Department of Education
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Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

1. Scope of Audit

The Guam Department of Education (GDOE) is a line agency of the Government of Guam, a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. Only the operations of the Guam Department of Education are included within the scope of the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GDOE under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GDOE, it is not intended to and does not present the financial position, changes in net position or cash flows of GDOE.

3. Summary of Significant Accounting Policies

a. Basis of Accounting:

GDOE is named as the federal award recipient on federal award documents and is responsible for maintaining the accounting records for federal expenditures. All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which GDOE maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. GDOE does not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

b. Subgrants:

Certain program funds are passed through the Guam Department of Education to subrecipient organizations. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients outside of the Guam Department of Education's control utilized the funds. If the subrecipient expends \$750,000 or more in federal awards, the subrecipient separately satisfies the audit requirements of the Uniform Guidance.

Guam Department of Education
(A Line Agency of the Government Of Guam)

Notes to Schedule of Expenditures of Federal Awards, continued

4. High-Risk Grantee Status

GDOE is designated a high-risk grantee by the U.S. Department of Education.

5. Assistance Listing Number 10.555

Expenditures for ALN 10.555 include expenditures for both the National School Lunch Program and the School Breakfast Program, which is listed in the Assistance Listing index as ALN 10.553. Only ALN 10.555 is presented in the Schedule as the U.S. Department of Agriculture awarded Child Nutrition Program funds under the one ALN in its Grant Award Document. Additionally, expenditures for ALN 10.555 in the amount of \$434,015.36 were previously reported in GDOE's General Fund in FY22. This has been included in the Schedule for the purpose of reporting that such expenditures were funded by the U.S Department of Agriculture.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 X **Yes** **None reported**

Type of auditor's report issued on compliance for major federal programs:

ALN 15.875

Unmodified

ALN 93.600

Unmodified

All other federal major programs

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X **Yes** **No**

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Section I - Summary of Auditor's Results, continued

Identification of major federal programs:

<u>Assistance Listing Numbers (ALNs)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.555	National School Lunch Program
15.875	Economic, Social, and Political Development of the Territories
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.403	Consolidated Grant to the Outlying Areas
84.425	Education Stabilization Fund:
84.425A	Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)
84.425X	American Rescue Plan - State Agency Educational Agency (Outlying Areas) (ARP-OA SEA)
	Head Start Cluster:
93.600	Head Start

Dollar threshold used to distinguish between
Type A and Type B programs:

\$3,000,000

Auditee qualified as low risk auditee?

_____ **Yes** X **No**

Section II - Financial Statement Findings

<u>Finding Number</u>	<u>Area</u>
2023-001	Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable
2023-002	Financial Statement Close Process
2023-003	Budget

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Section III - Federal Award Findings and Questioned Costs

<u>ALN</u>	<u>Finding Number</u>	<u>Requirement</u>	<u>Questioned Cost</u>
10.555	2023-004	Eligibility	\$ ---
10.555	2023-005	Procurement and Suspension and Debarment	---
10.555	2023-006	Reporting	---
15.875	2023-007	Period of Performance	113,767
15.875	2023-008	Procurement and Suspension and Debarment	---
84.027	2023-009	Period of Performance	80,983
84.027	2023-010	Procurement and Suspension and Debarment	---
84.403	2023-011	Period of Performance	11,004
84.403	2023-012	Procurement and Suspension and Debarment	---
84.403	2023-013	Reporting	---
84.425	2023-014	Allowable Costs/Cost Principles	378,118
84.425	2023-015	Matching, Level of Effort, Earmarking	---
84.425	2023-016	Reporting	---

Total Questioned Costs

\$ 583,872

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-001

Area: Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable

Criteria:

Governmental Accounting Standards Board (GASB) Cod. N50.118 *Nonexchange Transactions* states that:

- recipients of grants considered voluntary non-exchange transactions should recognize receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements, including time requirements, are met.
- receivables and revenues arising from voluntary non-exchange transactions should be recognized net of estimated uncollectible amounts.

GASB Cod. 1800.102(a)(1) *Classification and Terminology* states that interfund receivables and payables reported in the governmental funds should be reduced if repayment is not expected within a reasonable time. Amounts not expected to be repaid should be reported as transfers.

Condition:

A final Schedule of Expenditures and Federal Awards (SEFA) was provided on September 20, 2024, over 11 months after fiscal year end, to correct \$1.8 million in understated SEFA expenditures for ALN 10.555.

Federal grants fund receivable reconciliations were still ongoing over 11 months after fiscal year end.

Cause:

GDOE Financial Affairs Division is limited with qualified and trained personnel to reconcile federal related accounts (amounts due to and from federal agencies, federal grants and contributions and federal expenditures) and determining collectability of amounts due from grantors. Furthermore, the absence of stable management at the Financial Affairs Division caused further delay with the fiscal year close out. Oversight from GDOE Office of Internal Audit was necessary to obtain the final SEFA and the related receivable balances due from federal agencies.

Effect:

Required adjustments to receivables from federal agencies may not be recorded timely and may include uncollectible amounts. Interfund balances arising from reimbursement-type grants may need to be reduced based on estimated uncollectible federal grants receivables.

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-001, continued

Area: Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable

Recommendation:

The GDOE Financial Affairs Division should consider training and assigning accountants that are qualified to manage and regularly monitor federal grants receivables to ensure collection within a reasonable period. Estimated uncollectible amounts should be adjusted against federal grants receivables and revenues, and a transfer-in from the General Fund to cover uncollected amounts should be recorded, if determined necessary, allowed and reported as required.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE's Fiscal Year (FY) 2023 audit close process experienced delay. While the fiscal year ends on September 30, GDOE targets November 15th, 45 days after the fiscal year, to close its books. For FY 2023, GDOE did not close its books until December 12, 2023 and the Schedule of Expenditures of Federal Awards (SEFA) was provided to Ernst & Young (E&Y) on May 6, 2024. The final SEFA could not be completed until a \$1.8 million adjustment was made to correct drawdowns for FY 2023 that occurred in FY 2024. The finalization of GDOE's financial close was further delayed this year as GDOE management requested for extensions in order to have the new Comptroller review, reconcile and approve year end trial balances and final SEFA and Schedule of Federal Receivables and Deferrals (SEFRAD).

Plan of action and completion date:

GDOE Financial Affairs Division has an assigned accountant to perform monthly and quarterly reconciliations between the general ledger, SEFA, the SEFRAD, subsidiary ledger accounts, and the U.S. Department of Education (USED) Grants Management System (G5). Upon completion of the reconciliation, the Comptroller is to review and approve all reconciliations before submitting to the Deputy of Finance and Administrative Services for review and approval. Timeline to implement will be initiated during FY 2025.

Plan to monitor and responsible officials:

The Comptroller (vacant) will be responsible for ensuring that monthly and quarterly reconciliation occur, are completed timely. GDOE Deputy of Finance and Administrative Services, Morgan W. Paul, as well as the IAO, will monitor all federal expenditures and reconciliations.

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-002
Area: Financial Statement Close Process

Criteria:

GASB 62 provides that financed purchases shall be treated similar to capital leases. As such, the subsequent measurement of a related liability should consider the effect of principal payments made during the year.

GASB Cod. P20.148 through .184 *Pension Activities – Reporting for Benefits Provided through Trusts that Meet Specified Criteria* require the recording of a component unit’s proportionate share of collective total net pension liability and related pension amounts in the component unit’s stand-alone financial statements measured as of a date no earlier than the end of the employer’s prior fiscal year.

GASB N50.130 *Nonexchange Transactions* requires that an employer should recognize revenues and expenditures or expenses for on-behalf payments for fringe benefits and salaries.

GDOE SOP 200-34 requires that one month prior to fiscal year end, the Accounts Payable Division should notify all vendors and end users to submit all outstanding invoices for the fiscal year to ensure invoices are received and paid within the liquidation period specified in the federal award or non-federal appropriation.

During the three months after fiscal year end close, invoices are reviewed by the designated accountant to determine if the expenditures should be part of the year end accruals.

GASB C60.103 *Compensated Absences* requires that a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits.

GASB Cod. P52.141 through .152 *Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit* require the recording of a component unit’s proportionate share of collective total OPEB liability and related OPEB amounts in a component unit’s stand-alone financial statements.

Condition:

- 1) Liabilities related to financed purchases of schools were overstated by approximately \$8.97 million based on the corresponding amortization schedules.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-002, continued
Area: Financial Statement Close Process

Condition, continued:

- 2) Net pension liability was understated by approximately \$134.77 million based on the schedule of employer allocations and schedule of pension amounts by employer for the measurement period ended September 30, 2022.
- 3) Amounts paid by Government of Guam on behalf of GDOE amounting to approximately \$11.99 million for retiree healthcare benefits and \$2.94 million for Okkodo lease payments were not recorded in the statement of revenues, expenditures and changes in fund balances in the General Fund and statement of net changes in the governmental activities as revenue with a corresponding expense or expenditure.
- 4) Compensated absences payable and accrued sick leave liability were not adjusted to reflect the yearend balances and are understated by \$870 thousand and \$922 thousand, respectively.
- 5) Federal Grants Assistance Fund expenditures and accruals were overstated by \$185 thousand due to prior year accruals that were not adjusted in current year.
- 6) OPEB liability was overstated by \$125.68 million based on the schedule of employer shares (allocations) by component unit for the measurement period ended September 30, 2022.

Audit adjustments were proposed to correct the above misstatements identified and included in the summary of corrected misstatements.

Cause:

There is an absence of qualified and trained personnel in the Financial Affairs Division to monitor and review the accuracy and completeness of recorded transactions during the year-end closing process and to comply with SOP 200-034. Furthermore, the absence of stable and qualified management at the Financial Affairs Division caused further delay with the fiscal year close out. Oversight from GDOE Office of Internal Audit was necessary to complete this process.

Effect:

Fiscal year-end adjustments may not be timely identified and reported in the financial statements.

Recommendation:

GDOE management should consider training existing Financial Affairs Division personnel to monitor and review the accuracy and completeness of recorded transactions at each closing period.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-002, continued
Area: Financial Statement Close Process

Views of Responsible Officials:

GDOE agrees with the finding. Liabilities related to financed GDOE schools are provided through funding through the Governor's Office. GDOE records the revenue and expenditures on its financial reports with the assistance of Department of Administration. GDOE is not the responsible entity for dictating the amortization schedules but will coordinate with DOA to ensure proper recording of all liabilities. Additionally, GDOE relies on OPEB release information in order to record net pension liabilities. Oftentimes, the OPEB information is provided months after year end close resulting in GDOE accountants working with E&Y to make the proper adjustments.

Plan of action and completion date:

The Comptroller will assign an accountant to ensure the completeness and accuracy of transactions during the year end closing process in accordance with SOP 200-034. Additionally, with the hiring of additional accountants, the Comptroller will ensure that Financial Affairs also complies with end-of-the-month close procedures as outlined in SOP 200-034. This will be implemented during the first quarter of FY 2025.

Plan to monitor and responsible officials:

The Comptroller (vacant) will be responsible for ensuring that monthly and year-end close procedures occur and are completed timely. GDOE Deputy of Finance and Administrative Services, Morgan W. Paul, will monitor the fiscal year end process for completeness.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-003

Area: Budget

Criteria:

Budgets should be monitored and adjustments should be made accordingly to prevent unfunded liabilities and encumbrances to occur.

Condition:

As of September 23, 2024, budgets for FY2023 appropriation budget accounts were still available and not obligated for certain funds.

As of September 23, 2024, budgets for FY2023 appropriation budget accounts exceeded available funding for personnel related costs. No alternative sources of available funding were identified to cover this shortfall.

As of September 26, 2024, budgets for FY2023 appropriation budget accounts continued to incur expenditures during FY2024.

Cause:

GDOE did not monitor their FY2023 budget accounts and transfer unfunded expenditures and encumbrances to available funds as authorized.

Effect:

Unfunded liabilities and expenditures may occur.

Recommendation:

We recommend GDOE monitor budget accounts at least on a monthly or biweekly basis to identify if shortfalls from payroll runs are present and if the need to transfer to available and allowable funding is necessary.

Additionally, if there are unexpended or unencumbered appropriations made from the General Fund, Healthy Futures Fund and Guam Education Facilities Fund by a GG1, purchase order, or contract, such funds should revert back to the respective funds on the last day of Fiscal Year 2023.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-003, continued
Area: Budget

Views of Responsible Officials, continued:

GDOE agrees with the finding. As of September 23, 2024, budgets for FY 2023 appropriation accounts remained available, which continued to incur FY 2024 expenditures resulting in FY 2023 budgets being exceeded, namely for personnel costs.

Plan of action and completion date:

Budget Office will monitor all existing accounts on a monthly basis to identify and address budgetary shortfalls and to ensure that costs are incurred against the appropriate budget accounts. Additionally, the Budget Office will monitor budget accounts to ensure that any available unexpended or unencumbered budget is returned to the respective fund at year-end.

GDOE will update SOP 200-017 Month and Year End Processing Procedures, to include monthly and year-end review of active budget accounts in order to identify and address potential budgetary shortfalls and to ensure that appropriate budget accounts are inactivated at fiscal year-end.

Plan to monitor and responsible officials:

The Deputy Superintendent of Finance and Administrative Services, Morgan W. Paul, will ensure the updates to SOP 200-017 are completed timely and will monitor the Budget Office monthly reviews.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-004
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with the National School Lunch Act, state agencies are required to annually notify local educational agencies (LEAs) of district-wide eligibility for the community eligibility provision (CEP). By May 1 of each year, state agencies must publish lists of eligible and near-eligible LEAs and schools on their state agency websites.

Condition:

As of September 30, 2024, the annual notification for School Year (SY) 2022-2023 is not published on GDOE's website. The most recent publication is for SY 2021-2022.

Cause:

GDOE did not enforce controls over compliance with the applicable eligibility requirements relative to annual notifications and publications.

Effect:

GDOE is in noncompliance with applicable eligibility requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation:

GDOE should establish and implement internal controls over compliance with applicable eligibility requirements. Responsible personnel should prepare and publish and required notifications.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE did not published School Year 2022-2023 eligibility notifications for the community eligibility provision to the GDOE website by May 1, 2023 as required by the National School Lunch Act (NSLA). GDOE Child Nutrition Program (CNP) division is aware of the requirement and has publicly posted eligibility notifications to ensure compliance to NSLA. GDOE does not anticipate this will be an audit finding moving forward.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-004, continued
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Eligibility
Questioned Costs: \$0

Views of Responsible Officials, continued:

Plan of action and completion date:

The CNP Office has incorporated a calendar reminder within the CNP Office and updated the internal calendar of report due dates to facilitate the timely upload of the required information to the GDOE CNP website.

Plan to monitor and responsible officials:

The CNP State Administrator, Franklin Cruz, will ensure that CEP eligibility notifications are posted to the GDOE website by May 1 of every year to be in compliance with the reporting requirements of the NSLA.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-005
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, all contracts made by the non-Federal entity under the Federal award must contain applicable provisions. Contractors that apply or bid for an award exceeding \$100,000 must file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). Each such contractor certifies that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, among others.

Condition:

For 2 (or 100%) of 2 purchase orders (POs), aggregating \$11.6M of \$15M in food services, no Byrd Anti-Lobbying certification was provided, as follows:

	PO No.	Contractor No.	PO Amount	FY 2023 Expenditures
1.	20230074	10156	\$ 1,300,000	\$ 623,958
2.	20230905	11802	\$17,621,622	\$10,998,938

Cause:

GDOE did not establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications.

Effect:

GDOE is in noncompliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. No questioned cost is presented as we are unable to quantify the extent of noncompliance. Subsequently, on 10/15/2024, GDOE effected partial corrective action by obtaining the required certification for PO 20230905.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-005, continued
Federal Agency: U.S. Department of Education
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Recommendation:

Responsible personnel should establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. Prior to providing a signed purchase order to the selected contractor, responsible personnel should verify that the contractor has provided the required Byrd Anti-Lobbying certification.

Views of Responsible Officials:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-006
 Federal Agency: U.S. Department of Agriculture
 AL Program: 10.555 Child Nutrition Cluster
 Federal Award No.: 7GU300GUB
 Area: Reporting
 Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, SFAs and sponsors must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim (7 CFR sections 210.8, 220.11, 215.10, and 225.15(c)). The state agency has an additional 30 days to submit a consolidated report to FNS (7 CFR 210.5(d), 220.13(b)(2), 215.11(c)(2), and 225.8).

Also, recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition:

1. For all five claims tested, GDOE submitted the monthly claim beyond the required 60 days, as follows:

Draw No.	Month	Due Date	Submission Date	Days Late	Amount
2023-001	Oct 2022	12/31/2022	01/30/2023	30	\$1,882,124
2023-008	Jan 2023	03/31/2023	04/27/2023	27	\$1,597,787
2023-014	Mar 2023	05/31/2023	07/11/2023	41	\$1,985,859
2023-024	May 2023	07/31/2023	10/02/2023	63	\$1,215,183
2023-042	Aug 2023	10/31/2023	01/19/2024	80	\$ 496,775

2. Subawards are not reported in FSRS, as follows:

Transactions Tested	Subaward Not Reported	Dollar Amount of Tested Transactions	Subaward Not Reported
4	4	\$466,840	\$466,840

Cause:

GDOE lacks controls over compliance with applicable reporting requirements.

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-006, continued
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Reporting
Questioned Costs: \$0

Effect:

GDOE is in noncompliance with applicable reporting requirements, which resulted in understated totals in the Schedule of Expenditures of Federal Awards (SEFA) dated April 9, 2024. GDOE subsequently corrected expenditures in its SEFA dated September 20, 2024, but thereby created an unreconciled overstatement of \$278,805. No questioned cost is presented as the SEFA misstatement does not represent overstated claims.

FY 2023 SEFA total	\$16,809,504
Less Total claims for FY 2023	(16,096,699)
Less Prior year expenditures reported in FY 2023	(434,015)
FY 2023 unreconciled SEFA overstatement	\$ <u>278,790</u>

Recommendation:

Responsible personnel should establish and implement controls over compliance with applicable reporting requirements relative to timely submitting monthly claims for reimbursement and to reporting subawards in FSRS.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE submitted monthly reimbursement claims for meals and snacks served to eligible students beyond the required 60-day reporting period and did not report sub awards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Sub Award Reporting System (FSRS) in FY 2023.

Plan of action and completion date:

At the start of FY 2024, the CNP Office added personnel to the processing of claims activity. The additional personnel to the process is to ensure the requests are reviewed and processed in a timely manner before transmitting to the GDOE Business Office for reimbursement draw and payment processing. After the transmission, the CNP Office will follow-up and confirm, via email, with the assigned personnel conducting the draws, that the requested draw/payment for claims reimbursement are completed in a timely manner. In addition, the Child Nutrition Programs Office will request for confirmation from the responsible personnel within the Business Office that the required Subaward report is submitted and posted to the respective SEFA to the FSRS.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-006, continued
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Reporting
Questioned Costs: \$0

Views of Responsible Officials, continued:

Plan to monitor and responsible officials:

The CNP State Administrator, Franklin Cruz, and the Comptroller will ensure that claims are submitted and processed timely.

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-007
 Federal Agency: U.S. Department of the Interior
 Pass-Through Entity: Government of Guam
 AL Program: 15.875 Economic, Social, and Political Development of the Territories
 Area: Period of Performance
 Questioned Costs: \$113,767

Criteria:

In accordance with applicable period of performance (POP) requirements, a non-federal entity may charge only allowable costs incurred during a federal award’s period of performance. Unless the federal awarding agency authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award or in the approved extension.

Condition:

GDOE charged costs to a federal award after the period of performance ended, as follows:

<u>Federal Award No.</u>	<u>POP End Date</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
D15APG0047	09/30/2019	\$ 9,813	\$ ---
D16AP00059	09/30/2020	113,767	113,767
D17AP00103	09/30/2021	<u>104,422</u>	<u>---</u>
		<u>\$228,002</u>	<u>\$113,767</u>

Subsequently, on August 21, 2024, GDOE provided journal entry GEN 120 to transfer \$112,157 from Grant 2016 D16AP00059 to Grant 2021 D21AP0036. However, the corresponding 2016 expenditures were obligated prior to 03/01/2021, which is the POP start date for Grant 2021. Therefore, GEN 120 does not result in effective corrective action.

No questioned cost is presented for Federal Award No. D15APG0047 and D17AP00103 because GDOE subsequently recorded journal entries in July 2024 to charge costs appropriately to grant year 2019.

Cause:

GDOE did not enforce monitoring controls over compliance with applicable period of performance requirements.

Guam Department of Education
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Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-007, continued
Federal Agency: U.S. Department of the Interior
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Period of Performance
Questioned Costs: \$113,767

Effect:

GDOE is in noncompliance with applicable period of performance requirements. The reportable questioned cost is \$113,767.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable period of performance requirements. Prior to charging costs to a federal award or liquidating obligations incurred under a federal award, responsible personnel should verify that the period of performance, including the liquidation end date, has not expired.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE is in receipt of Department of Interior grants and manages said funds in coordination with BBMR and Guam Homeland Security. GDOE established projects that were allowable for the use of these funds on a reimbursement basis. In an effort to maximize federal funding, GDOE initiated a transfer of expenses which was tied to a purchase order in FY 2016.

Plan of action and completion date:

GDOE Financial Affairs has recorded an adjusting journal entry to record the expenditures under FY 2021 but will have to reclass the expenditure in to FY 2020. GDOE will assign an accountant to reconcile GDOE's Department of Interior budget availability with BBMR and will monitor AS400 for proper recording of transactions.

Plan to monitor and responsible officials:

The Comptroller (vacant) will monitor on a quarterly basis expenditure from the Department of Interior grant and will prepare a progress report on a semi-annual basis to the Deputy of Finance and Administrative Services, Morgan W. Paul, for review and approval.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-008
 Federal Agency: U.S. Department of the Interior
 AL Program: 15.875 Economic, Social, and Political Development of the Territories
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$0

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, all contracts made by the non-Federal entity under the Federal award must contain applicable provisions. Contractors that apply or bid for an award exceeding \$100,000 must file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). Each such contractor certifies that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, among others.

Condition:

For 2 (or 67%) of 3 purchase orders (POs), aggregating \$6.1M of \$6.9M in total non-payroll Program costs, no Byrd Anti-Lobbying certification was provided.

Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2023 Expenditures
D19AP00051	20220345	80689	\$350,000	\$325,500
D21AP10036	20210918	10578	\$499,719	\$ 64,085

Cause:

GDOE did not establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications.

Effect:

GDOE is in noncompliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-008, continued
Federal Agency: U.S. Department of Education
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Recommendation:

Responsible personnel should establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. Prior to providing a signed purchase order to the selected contractor, responsible personnel should verify that the contractor has provided the required Byrd Anti-Lobbying certification.

Views of Responsible Officials:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-009
 Federal Agency: U.S. Department of Education
 AL Program: 84.027 Special Education Grants to States
 Area: Period of Performance
 Questioned Costs: \$80,983

Criteria:

In accordance with applicable period of performance (POP) requirements, a non-federal entity may charge only allowable costs incurred during a federal award’s period of performance. Unless the federal awarding agency authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award or in the approved extension.

Condition:

1. GDOE charged costs to a federal award before the period of performance started and after the period of performance ended, as follows:

Federal Award No.	POP Start Date	Purchase Order	Expenditures	Questioned Costs
H027A200013	07/01/2020	20191313	\$ 560	\$560

Federal Award No.	POP End Date	Description of Costs	Expenditures	Questioned Costs
H027A190013	09/30/2021	FY 2024 payroll	\$ 50,811	\$ ---
H027A200013	09/30/2022	FY 2024 payroll	\$ 16,109	\$ ---
H027A210013	09/30/2023	FY 2024 payroll	\$3,006,164	\$ ---

No questioned cost is presented for the FY 2024 payroll costs because GDOE subsequently recorded journal entries between August 2024 and October 2024 to transfer such costs appropriately to grant year 2022.

2. GDOE liquidated obligations of a federal award after the approved liquidation end date, as follows:

Federal Award No.	Liquidation End Date	Liquidation Date	Expenditures	Questioned Costs
H027A210013	01/28/2024	02/13/2024-03/27/2024	\$18,041	\$18,041
H027A210013	01/28/2024	01/29/2024–07/10/2024	\$62,382	\$62,382

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-009, continued
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education Grants to States
Area: Period of Performance
Questioned Costs: \$80,983

Cause:

GDOE did not enforce monitoring controls over compliance with applicable period of performance requirements.

Effect:

GDOE is in noncompliance with applicable period of performance requirements. The reportable questioned cost is \$80,983.

Identified as a Repeat Finding: 2022-004

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable period of performance requirements. Prior to charging costs to a federal award or liquidating obligations incurred under a federal award, responsible personnel should verify that the period of performance, including the liquidation end date, has not expired.

Views of Responsible Officials:

GDOE agrees with Condition 1 questioned costs of \$560. The questioned charges are related to TPFAs purchase orders issued in fiscal year 2019, which falls outside of the period of performance. The expenditure for the 2019 purchase order was transferred from the TPFAs Munis and recorded in the incorrect GDOE Munis account.

GDOE disagrees with Condition 2 questioned costs of \$18,041. In line with federal regulations, GDOE paid (liquidated) the obligations in question on January 4 and 26, 2024, which is before the liquidation end date of January 28, 2024. E&Y auditors are citing GDOE for the issued checks clearing the bank after the liquidation end date, however, liquidation occurs when the recipient draws funds from the grants management system and pays obligations and not specifically when checks clear the bank.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-009, continued
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education Grants to States
Area: Period of Performance
Questioned Costs: \$80,983

Views of Responsible Officials, continued:

GDOE agrees with Condition 2 \$62,382 questioned costs. While GDOE Munis system has recorded expenses of \$62,382 related to Special Education (SPED) obligations, funds were not drawn for these expenditures. In GDOE's federal review process, drawdowns are reviewed in alignment with specific conditions for allowability and in compliance with period of performance timelines. The identified funds were not expended from SPED grants. To correct this reporting deficiency, GDOE will record journal entries to transfer the expenditures to appropriate funding sources.

Similarly, GDOE improperly charged \$3.1 million in payroll expenditures to SPED grants after the period of performance. Subsequently, GDOE corrected this finding by making the appropriate journal entries to transfer the improperly charged payroll expenditure to the appropriate grant year.

Plan of action and completion date:

The GDOE will perform a monthly review of all transactions to ensure charges are recorded in the appropriate grant year. Additionally, Grant Project Managers and Program Coordinators will timely communicate to the Human Resources and Business Office any changes to accounts charged for federally funded payroll expenditures. The IAO now provides an independent review of drawdown requests – a control that will help prevent liquidation after applicable period of performance.

Plan to monitor and responsible officials:

Financial Affairs under the leadership of the Deputy of Finance and Administrative Services, Morgan W. Paul, and the GDOE Comptroller (vacant), will ensure an accountant is monitoring the expenditures of federal grants and the corresponding periods of performance and liquidation periods. Grant Project Managers and Federal Compliance review team will also provide timely communication for changes in grant year funding to HR relative to federal payroll.

Auditor Response:

Condition 1: The purchase order in 2019 constitutes an obligation prior to the period of performance start date of 07/01/2020 for Grant Year 2020.

Condition 2: We acknowledge that the checks are dated prior to the liquidation end date; however, program determination letters from U.S. ED from prior years have sustained audit findings wherein auditors cited the check clearing date as the liquidation date.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-010
 Federal Agency: U.S. Department of Education
 AL Program: 84.027 Special Education Grants to States
 Federal Award No.: H027A210013
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$0

Criteria:

In accordance with applicable procurement and suspension and debarment requirements, all contracts made by the non-Federal entity under the Federal award must contain applicable provisions. Contractors that apply or bid for an award exceeding \$100,000 must file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). Each such contractor certifies that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, among others.

Condition:

For 8 (or 67%) of 12 purchase orders (POs), no Byrd Anti-Lobbying certification was provided, as follows:

	PO No.	Contractor No.	PO Amount	FY 2023 Expenditures
1.	20212069	80816	\$ 967,960	\$ 430,380
2.	20222774	80677	\$ 135,000	\$ 22,556
3.	20222777	80484	\$ 200,000	\$ 34,469
4.	20222841	11410	\$ 100,000	\$ 6,382
5.	20232313	80677	\$ 499,719	\$ 88,381
6.	20232408	11410	\$ 100,000	\$ 36,684
7.	20232436	80595	\$ 200,000	\$ 23,768
8.	20232474	80816	\$ 967,960	\$ 120,995

Cause:

GDOE did not establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications and small purchases.

Effect:

GDOE is in noncompliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-010, continued
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education Grants to States
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Identified as a Repeat Finding: 2022-005

Recommendation:

Responsible personnel should establish and implement controls over compliance with applicable procurement and suspension and debarment requirements relative to Byrd Anti-Lobbying certifications. Prior to providing a signed purchase order to the selected contractor, responsible personnel should verify that the contractor has provided the required Byrd Anti-Lobbying certification.

Views of Responsible Officials:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-011
 Federal Agency: U.S. Department of Education
 AL Program: 84.403 Consolidated Grant to the Outlying Areas
 Area: Period of Performance
 Questioned Costs: \$11,004

Criteria:

In accordance with applicable period of performance (POP) requirements, a non-federal entity may charge only allowable costs incurred during a federal award’s period of performance. Unless the federal awarding agency authorizes an extension, a non-federal entity must liquidate all financial obligations incurred under the federal award not later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award or in the approved extension.

Condition:

1. GDOE charged costs to a federal award after the period of performance ended, as follows:

Federal Award No.	POP End Date	Description of Costs	Expenditures	Questioned Costs
S403A150005	09/30/2017	FY 2024 payroll	\$ 850	\$ ---
S403A200002	09/30/2022	FY 2024 payroll	\$ 15,358	\$ ---
S403A210002	09/30/2023	FY 2024 payroll	\$ 293,608	\$ ---
S403A210002	09/30/2023	FY 2024 purchase orders	\$ 10,887	\$ 10,120

No questioned cost is presented for the FY 2024 payroll costs because GDOE subsequently recorded journal entries between August 2024 and October 2024 to transfer such costs appropriately to grant year 2022.

2. GDOE liquidated obligations of a federal award after the approved liquidation end date, as follows:

Federal Award No.	Liquidation End Date	Liquidation Date	Expenditures	Questioned Costs
S403A200002	01/28/2023	10/2023 and 11/2023	\$ 884	\$884

Cause:

GDOE did not enforce monitoring controls over compliance with applicable period of performance requirements.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Period of Performance
Questioned Costs: \$11,004

Effect:

GDOE is in noncompliance with applicable period of performance requirements. The reportable questioned cost is \$11,004.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable period of performance requirements. Prior to charging costs to a federal award or liquidating obligations incurred under a federal award, responsible personnel should verify that the period of performance, including the liquidation end date, has not expired.

Views of Responsible Officials:

GDOE disagrees with condition 1 related to FY 2024 purchase orders (PO). GDOE PO 20240171 is a copy over of the third-party fiduciary agent (TPFA) PO 20230010 which was issued in December 2022, within the CG 21 period of performance. GDOE acknowledges that the re-issued GDOE purchase order was not timely processed, however the purchase order which encumbered the funds occurred in the appropriate performance period.

Additionally, relative to payroll, FPD requests a list (i.e. Staffing Pattern) of all Federally funded personnel from HR. FPD distributes the list to CG Project Leads to validate and compare to the Federal Roster as approved in the Consolidated Grants (CG) Application. The list is updated to make any corrections necessary. Once validated by Project Leads and FPD, HR is given a memo requesting to change/correct the funding year to the new grant award.

In GDOE's Munis system, if the Human Resources (HR) employee salary records are not accurately updated, GDOE payroll will reflect dated pay tables until such time HR makes the appropriate updates based on project lead requests to update accounts to current grant year. GDOE recorded journal entries to transfer the improperly charged payroll expenditure to the appropriate grant year.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-011, continued
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Period of Performance
Questioned Costs: \$11,004

Views of Responsible Officials, continued:

Plan of action and completion date:

The GDOE will perform a monthly review of all transactions to ensure charges are recorded in the appropriate grant year. Additionally, Grant Project Managers and Program Coordinators will work with the HR and Business Office any changes to accounts charged for federally funded payroll expenditures. IAO now provides an independent review of drawdown requests – a control that will help prevent liquidation after applicable period of performance.

Plan to monitor and responsible officials:

Financial Affairs under the leadership of the Deputy of Finance and Administrative Services, Morgan W. Paul, and the GDOE Comptroller (vacant), will ensure an accountant is monitoring the expenditures of federal grants and the corresponding periods of performance and liquidation periods. Grant Project Managers and Federal Compliance review team will also provide timely communication for changes in grant year funding to HR relative to federal payroll.

Auditor Response:

Condition 1: There is no clear notation on the GDOE PO 20240171-01 document itself or within the financial management system entry to indicate that such purchase order is a copy over of TPFA PO 2023010.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-012
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with procurement and suspension and debarment requirements, the following are applicable:

1. All contracts made by the non-Federal entity under the Federal award must contain applicable provisions. Contractors that apply or bid for an award exceeding \$100,000 must file the required certification under the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). Each such contractor certifies that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, among others.
2. The U.S. Department of Education (ED) has approved the use of \$250,000 as the small purchases threshold for U.S. ED Federal awards. When using small purchase procedures to procure property and services under a U.S ED Federal award, GDOE must obtain price or rate quotations from an adequate number of qualified sources as determined appropriate by the non-Federal entity. GDOE procurement regulations specify that no less than three positive written quotations from businesses shall be solicited, recorded, and placed in the procurement file.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-012, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.403 Consolidated Grant to the Outlying Areas
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$0

Condition:

Of 25 transactions tested, aggregating \$4.8M of \$8.2M in total non-payroll Program costs, we noted the following:

1. For 17 (or 68%), no Byrd Anti-Lobbying certification was provided.

	Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2023 Expenditures
a.	S403A210002	20222763	80442	\$ 260,393	\$ 260,393
b.	S403A210002	20222840	11907	\$1,289,647	\$ 145,194
c.	S403A210002	20221093	22352	\$ 639,140	\$ 498,867
d.	S403A210002	20222840	11907	\$1,289,647	\$ 74,990
e.	S403A210002	20222767	30001	\$1,184,920	\$ 92,809
f.	S403A210002	20230416	80345	\$ 141,668	\$ 140,360
g.	S403A210002	20231553	80593	\$ 182,200	\$ 182,046
h.	S403A210002	20232233	80730	\$ 215,996	\$ 215,996
i.	S403A210002	20232316	30001	\$1,184,920	\$ 323,439
j.	S403A210002	20232479	11722	\$ 376,097	\$ 376,097
k.	S403A220002	20232483	80368	\$ 117,370	\$ 83,183
l.	S403A210002	20232483	11907	\$1,289,647	\$ 453,191
m.	S403A210002	20232512	80246	\$ 122,125	\$ 122,125
n.	S403A210002	20232586	22391	\$ 122,500	\$ 122,500
o.	S403A210002	20232729	11878	\$ 104,895	\$ 104,895
p.	S403A210002	20232512	80246	\$ 122,125	\$ 32,625
q.	S403A220002	20232483	11907	\$1,289,647	\$ 70,156

No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-012, continued
 Federal Agency: U.S. Department of Education
 AL Program: 84.403 Consolidated Grant to the Outlying Areas
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$0

Condition, continued:

2. For 3 (or 12%), the small purchases method was used; however, less than three price quotations are on file. No questioned cost is presented as the procurement can be viewed as being technically compliant based on existing GDOE procurement regulations and guidance from the Office of the Attorney General of Guam.
 - a. The procurement of digital subscriptions and online assessments of students for reading and math includes ten solicitations and three quotations, of which two indicate “no quote.”
 - b. The procurement of school uniform vouchers includes six solicitations and six quotations, of which five indicate “no quote.” Additionally, we noted that one of the three major providers of uniforms on Guam was not solicited.
 - c. The procurement of professional consulting services to provide training includes eight solicitations and three quotations, of which two indicate “no quote.”

	Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2023 Expenditures
a.	S403A210002	20232586	22391	\$ 122,500	\$ 122,500
b.	S403A210002	20232729	11878	\$ 104,895	\$ 104,895
c.	S403A220002	20231866	32647	\$ 195,000	\$ 195,000

Cause:

GDOE did not establish and implement controls over compliance with applicable procurement and suspension and debarment requirements.

Effect:

GDOE is in noncompliance with applicable procurement and suspension and debarment requirements.

Identified as a Repeat Finding: 2022-008

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-012, continued
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Recommendation:

GDOE should enforce compliance with applicable procurement and suspension and debarment requirements. Prior to providing a signed purchase order to the selected contractor, responsible personnel should verify that the contractor has provided the required Byrd Anti-Lobbying certification. Also, during the solicitation process, responsible personnel should consider requesting additional price quotations whenever a solicitation results in a response of “no quote” in order to allow other suppliers to participate in the Federally funded transaction.

Views of Responsible Officials:

GDOE agrees with Condition 1. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE’s implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

GDOE disagrees with Condition 2. In line with Title 5 of the Guam Code Annotated §5213, a “no quote” response will not be considered a positive quotation but shall be part of the procurement record, which shall further include a written record or memorandum of all solicitations and responses thereto, negative or positive, orally or in writing. In the event the agency obtains less than three (3) positive quotations and provides the attestation required by this Section, the agency may proceed with the small purchase procurement. GDOE has the required attestations on file to evidence that quotations were solicited to multiple potential vendors.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE’s formal procurements to ensure compliance.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-012, continued
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditor Response:

Condition 2: In accordance with US ED's Specific Conditions, this US ED grant is subject to the Uniform Guidance procurement requirements for non-Federal entities, e.g., 2 CFR 200.320, which requires price or rate quotations from an adequate number of qualified sources as determined appropriate by the non-Federal entity. The number determined adequate by GDOE is no less than three.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-013
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A220002
Area: Reporting
Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, an Insular Area will submit an annual report containing information covering the program or programs for which the grant is used and administered, including the financial and program performance information required.

Condition:

The total reported amount expended per the FFY 2022 Consolidated Grant Quarterly Report, dated 10/31/2023, differs from that of underlying accounting records by \$3.5M, as follows:

Reported expenditures	\$3,496,735
Less Recorded expenditures for FY 2023	(7,190)
Less Recorded expenditures for FY 2022	(<u>16,644</u>)
Over-reported expenditures	<u>\$3,472,901</u>

Cause:

GDOE did not enforce monitoring controls over compliance with applicable reporting requirements.

Effect:

GDOE is in noncompliance with applicable reporting requirements. No questioned cost is presented as the variance does not represent an overpayment.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable reporting requirements. Prior to certifying reports, responsible personnel should verify reported amounts against underlying accounting records and should retain such records to substantiate reported amounts.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-013, continued
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A220002
Area: Reporting
Questioned Costs: \$0

Views of Responsible Officials:

GDOE disagrees with the finding. GDOE is required to submit an annual report that includes financial and program performance information relative to Consolidated Grants (CG). GDOE's FFY 2022 CG Quarterly Report, dated October 31, 2023, reported a total expenditure amount that differs from accounting records by \$3.5 million.

The information cited in the finding references data from a quarterly monitoring tool, which is used for internal tracking and management purposes. However, GDOE is only required to submit programmatic and financial data in its annual report as required in 34 CFR 76.132(a)(5) and further reiterated in the criteria of this finding. The official reporting obligation is limited to the data submitted in the Annual Performance Report (APR).

Plan of action and completion date:

GDOE disagrees with the finding. However, to ensure the proper enforcement of monitoring controls and allow for a more accurate tool used for internal tracking and management purposes, the Federal Programs Division will remove the cited financial information from its quarterly reports. To best capture this information, the Federal Programs Division will now require this information be submitted and certified by the GDOE accounting team.

Auditor Response:

The FFY 2022 Consolidated Grant annual performance report was not provided and is not published at GDOE's website. The annual report given to the auditors in response to this finding was for ALN 84.425 Education Stabilization Fund and not for ALN 84.403.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-014
 Federal Agency: U.S. Department of Education (ED)
 AL Program: 84.425 Education Stabilization Fund
 ED Subprogram: 84.425A Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)
 Federal Award No.: COVID-19 S425A210003
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$378,118

Criteria:

In accordance with applicable allowable cost/cost principles requirements, costs must be reasonable for the performance of the Federal award. Also, in accordance with property standards, if there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share.

Condition:

Out of \$7.5M in non-payroll expenditures for equipment, we noted \$5.2M pertained to the acquisition of 2,467 high efficiency particulate absorbing (HEPA) filtration units at a cost of \$2,089.05 per unit, under PO number 20221923, dated July 12, 2022. Of the 2,467 units, 181 units (or 7%), totaling \$378,118, remain undistributed and uninstalled as of September 30, 2024, exceeding one year from acquisition dates in November 2022 Simon Sanchez High School (SSHS) and February 2023 for F.B. Leon Guerrero Middle School (FBLG).

Acquisition Date	Intended School	Location	Idle Units	Amount
11/15/2022	SSHS	SSHS	85	\$177,569
02/23/2023	FBLG	THS	96	<u>200,549</u>
				<u>\$378,118</u>

At SSHS, the units were installed and in use in October 2022. However, due to the damages sustained by Typhoon Mawar in May 2023, SSHS has remained closed, and the units remain idle and secured at the school.

FBLG was closed since December 2022 based on a structural engineering inspection report, dated September 13, 2022. The vendor delivered the units in February 2023 to Tiyan High School (THS) for storage. In this case, it would appear that GDOE might have had a two-month opportunity to cancel the FBLG order.

We understand that all other schools have received their units and have no need for any additional. No planning documentation was provided for the unused supplies.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-014, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425A Education Stabilization Fund - State Educational Agency
(Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Allowable Costs/Cost Principles
Questioned Costs: \$378,118

Cause:

Although the typhoon damages sustained at SSHS are beyond GDOE's control, GDOE did not enforce monitoring controls over compliance with applicable allowable costs/cost principles requirements for the FBLG units and property standards for the SSHS and FBLG units.

Effect:

GDOE is in noncompliance with applicable allowable costs/cost principles requirements and property standards. The total reportable questioned cost is \$378,118.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable allowable costs/cost principles requirements and property standards. GDOE should consider seeking guidance from U.S. ED as to the disposition of the unused filtration units and any resulting compensation for the Federal share.

Views of Responsible Officials:

GDOE disagrees with the condition related to Simon Sanchez High School (SSHS) as the units were used prior to the school's closure. The units for SSHS were received and installed in October 2022. According to the school principal, all units were utilized in classrooms and offices. Following Typhoon Mawar, the school was deemed unsafe for occupancy, prompting the relocation of all units to a secured location.

GDOE agrees with the condition related to F.B. Leon Guerrero Middle School (FBLGMS). However, GDOE would like to clarify that the units for FBLGMS were initially delivered to JP Torres for staging and assembly in December 2022, which coincided with the closure of the school. In February 2023, the unused units were transferred to Tiyan High School for secure storage. The units will continue to be securely stored until the new school facilities have completed construction in school year 2025-2026 and 2026-2027.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-014, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425A Education Stabilization Fund - State Educational Agency
(Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Allowable Costs/Cost Principles
Questioned Costs: \$378,118

Views of Responsible Officials, continued:

Plan of action and completion date:

GDOE plans to utilize the HEPA filtration systems across other federal awards from the same granting agency, to include the Consolidated Grant and Special Education programs. GDOE will also utilize the units as replacements for other schools as needed.

Plan to monitor and responsible officials:

Program Coordinator, Cellini Higa, will coordinate the use of the HEPA units for other federal awards and replacements for other schools.

Auditor Response:

Based on receiving reports provided to the auditors, the finding now reflects that the SSHS units were installed in October 2022, whereas the acquisition date of 11/15/2022 is based on GDOE's fixed asset listing. GDOE has not provided a written assessment of the supplies which have remained unused for seventeen months between May 2023 and October 2024.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-015
 Federal Agency: U.S. Department of Education (ED)
 AL Program: 84.425 Education Stabilization Fund
 ED Subprogram: 84.425A Education Stabilization Fund–State Educational Agency
 (Outlying Areas) (ESF-SEA)
 Federal Award No.: COVID-19 S425A210003
 Area: Matching, Level of Effort, Earmarking
 Questioned Costs: \$0

Criteria:

In accordance with applicable matching, level of effort, earmarking requirements and section 18008 of the CARES Act, the State will maintain support for elementary and secondary education, and State support for higher education, at least at the levels of such support that is the average of such State’s support for elementary and secondary education and for higher education provided in fiscal years 2017, 2018, and 2019. Such average is defined as the baseline. Furthermore, a State must use the same data sources in determining overall State spending for the baseline years and FY 2023.

Condition:

GDOE has not submitted final 2023 expenditure data for elementary/secondary education, higher education, and overall Outlying Area spending. Based on our reading of email communications from U.S. ED, Education Program Specialist, Insular Areas, in September 2024, we noted that U.S. ED is aware of such pending submission.

Calculations using preliminary data appear to indicate that GDOE’s maintenance of effort for FY 2023 may be deficient, as follows:

Preliminary FY 2023 Outlying Area Actual Spending	\$1,383,224,877
Baseline percentage	29.8%
Required Outlying Area MOE	<u>\$ 412,201,013</u>
Interim FY 2023 Outlying Area State Support (19.6%)	<u>\$ 271,505,595</u>
Preliminary Deficient Outlying Area MOE	<u>\$ 140,695,418</u>
ALN 84.425A FY 2023 Expenditures	\$ 38,152,694
Deficient MOE percentage (29.8% - 19.6%)(rounded)	10.0%
Preliminary Projected GDOE MOE deficiency	<u><u>\$ 3,815,269</u></u>

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-015, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425A Education Stabilization Fund–State Educational Agency
(Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Cause:

GDOE did not enforce monitoring controls over compliance with applicable matching, level of effort, earmarking requirements relative to maintenance of effort requirements.

Effect:

GDOE appears to be in noncompliance with applicable matching, level of effort, earmarking requirements relative to maintenance of effort requirements. No questioned cost is presented because the source data for determining overall State spending for the baseline years was the State’s Single Audit Reports, and the State’s Single Audit Report for FY 2023 is yet to be issued.

Identified as a Repeat Finding: 2022-010

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable matching, level of effort, earmarking requirements relative to maintenance of effort requirements. Responsible personnel should work in close liaison with Government of Guam to verify the State’s overall spending levels.

Views of Responsible Officials:

GDOE disagrees with the finding. The final 2023 data for the Maintenance of Effort (MOE) will be based on the audited financials for FY 2023 as approved in GDOE’s communication with USEd. Since the audits for GDOE and the Government of Guam were both delayed, the final data needed to complete the MOE calculation was not available. GDOE was proactive in providing USEd with preliminary calculations using appropriated amounts for elementary and secondary education which indicated that the MOE fell within the acceptable one percent of the baseline. GDOE believes that it cannot be held to an audit finding for an MOE when the MOE calculation has yet to be finalized. Additionally, GDOE was approved for waivers in FY 2022. Upon completion of this year’s audit and calculation of MOE, GDOE is still subject to a waiver request approval which would negate the MOE finding identified.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-015, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425A Education Stabilization Fund–State Educational Agency
(Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Views of Responsible Officials, continued:

Plan of action and completion date:

Once the financial audits for GDOE and GovGuam are complete, the final FY 2023 MOE will be calculated. Should the FY 2023 MOE fall short of the baseline, a waiver request will be submitted to USEd. The submission of final data and waiver request, if needed, will be completed by December 30, 2024.

Plan to monitor and responsible officials:

The Internal Audit Office will ensure that the final MOE data is calculated and, if needed, a waiver request is prepared and submitted.

Auditor Response:

Although the Government of Guam’s audited financial statements have not been issued, GDOE has the ability to coordinate with the Government of Guam’s Division of Accounts to obtain the State’s preliminary overall spending data for purposes of monitoring the extent of potential MOE deficiencies. Such monitoring is key in GDOE’s communications with US ED over compliance with maintenance of effort requirements.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-016
 Federal Agency: U.S. Department of Education (ED)
 AL Program: 84.425 Education Stabilization Fund
 Area: Reporting
 Questioned Costs: \$0

Criteria:

In accordance with applicable reporting requirements, reported amounts should be substantiated by underlying accounting records.

Condition:

FY 2023 expenditure amounts reported in the required annual report differ from underlying accounting records, as follows:

Federal Award Number	S425A200003 ESF I-SEA	S425A210003 ESF II-SEA	S425X210003 ARP-OA SEA
Annual Report Year	Year 4 FY 2023	Year 3 FY 2023	Year 3 FY 2023
Expenditures per annual report	\$ 807,272	\$ 35,097,431	\$ 30,779,421
Expenditures per general ledger	(7,332,886)	(30,819,808)	(4,007,182)
Over (Under) reported variance	\$(6,525,614)	\$ 4,277,623	\$ 26,772,239

Cause:

GDOE did not enforce monitoring controls over compliance with reporting requirements.

Effect:

GDOE is in noncompliance with applicable reporting requirements. No questioned cost is presented as the variances do not represent overpayments.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable reporting requirements. Responsible personnel should retain underlying accounting records used during report preparation to substantiate reported amounts.

Guam Department of Education
(A Line Agency of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2023-016, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
Area: Reporting
Questioned Costs: \$0

Views of Responsible Officials:

GDOE disagrees with the finding. Annual reports are prepared at a point in time. GDOE submitted the required annual reports for ESF I, ESF II, and ARP on May 23, 2023. Auditors referencing figures in the annual report should also be reconciling to the same period covered and utilized in the financial reporting, as transactions and adjustments occur in the system after the reports are submitted.

Plan of action and completion date:

GDOE disagrees with the finding but will continue to monitor all federal financial reporting for accuracy and timely submission per the grant requirements.

Auditor Response:

GDOE did not provide underlying accounting records or a reconciliation to substantiate reported amounts.



**DEPARTMENT OF EDUCATION
OFFICE OF THE SUPERINTENDENT**



www.gdoe.net
501 Mariner Avenue
Barrigada, Guam 96913
Telephone: (671) 300-1547/1536 • Fax: (671) 472-5001
Email: keswanson@gdoe.net

K. ERIK SWANSON PH. D
Superintendent of Education

Guam Department of Education
Corrective Action Plan
Year Ended September 30, 2023

Finding No.: 2023-001
Area: Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE's Fiscal Year (FY) 2023 audit close process experienced delay. While the fiscal year ends on September 30, GDOE targets November 15th, 45 days after the fiscal year, to close its books. For FY 2023, GDOE did not close its books until December 12, 2023 and the Schedule of Expenditures of Federal Awards (SEFA) was provided to Ernst & Young (E&Y) on May 6, 2024. The final SEFA could not be completed until a \$1.8 million adjustment was made to correct drawdowns for FY 2023 that occurred in FY 2024. The finalization of GDOE's financial close was further delayed this year as GDOE management requested for extensions in order to have the new Comptroller review, reconcile and approve year end trial balances and final SEFA and Schedule of Federal Receivables and Deferrals (SEFRAD).

Plan of action and completion date:

GDOE Financial Affairs Division has an assigned accountant to perform monthly and quarterly reconciliations between the general ledger, SEFA, the SEFRAD, subsidiary ledger accounts, and the U.S. Department of Education (USEd) Grants Management System (G5). Upon completion of the reconciliation, the Comptroller is to review and approve all reconciliations before submitting to the Deputy of Finance and Administrative Services for review and approval. Timeline to implement will be initiated during FY 2025.

Plan to monitor and responsible officials:

The Comptroller (vacant) will be responsible for ensuring that monthly and quarterly reconciliation occur, are completed timely. GDOE Deputy of Finance and Administrative Services, Morgan W. Paul, as well as the IAO, will monitor all federal expenditures and reconciliations.

Finding No.: 2023-002
Area: Financial Statement Close Process

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. Liabilities related to financed GDOE schools are provided through funding through the Governor's Office. GDOE records the revenue and expenditures on its financial reports with the assistance of Department of Administration. GDOE is not the responsible entity for dictating the amortization schedules but will coordinate with DOA to ensure proper recording of all liabilities. Additionally, GDOE relies on OPEB release information in order to record net pension liabilities. Oftentimes, the OPEB information is provided months after year end close resulting in GDOE accountants working with E&Y to make the proper adjustments.

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Plan of action and completion date:

The Comptroller will assign an accountant to ensure the completeness and accuracy of transactions during the year end closing process in accordance with SOP 200-034. Additionally, with the hiring of additional accountants, the Comptroller will ensure that Financial Affairs also complies with end-of-the-month close procedures as outlined in SOP 200-034. This will be implemented during the first quarter of FY 2025.

Plan to monitor and responsible officials:

The Comptroller (vacant) will be responsible for ensuring that monthly and year-end close procedures occur and are completed timely. GDOE Deputy of Finance and Administrative Services, Morgan W. Paul, will monitor the fiscal year end process for completeness.

Finding No.: 2023-003
Area: Budget

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. As of September 23, 2024, budgets for FY 2023 appropriation accounts remained available, which continued to incur FY 2024 expenditures resulting in FY 2023 budgets being exceeded, namely for personnel costs.

Plan of action and completion date:

Budget Office will monitor all existing accounts on a monthly basis to identify and address budgetary shortfalls and to ensure that costs are incurred against the appropriate budget accounts. Additionally, the Budget Office will monitor budget accounts to ensure that any available unexpended or unencumbered budget is returned to the respective fund at year-end.

GDOE will update SOP 200-017 Month and Year End Processing Procedures, to include monthly and year-end review of active budget accounts in order to identify and address potential budgetary shortfalls and to ensure that appropriate budget accounts are inactivated at fiscal year-end.

Plan to monitor and responsible officials:

The Deputy Superintendent of Finance and Administrative Services, Morgan W. Paul, will ensure the updates to SOP 200-017 are completed timely and will monitor the Budget Office monthly reviews.

Finding No.: 2023-004
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Eligibility
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE did not published School Year 2022-2023 eligibility notifications for the community eligibility provision to the GDOE website by May 1, 2023 as

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required by the National School Lunch Act (NSLA). GDOE Child Nutrition Program (CNP) division is aware of the requirement and has publicly posted eligibility notifications to ensure compliance to NSLA. GDOE does not anticipate this will be an audit finding moving forward.

Plan of action and completion date:

The CNP Office has incorporated a calendar reminder within the CNP Office and updated the internal calendar of report due dates to facilitate the timely upload of the required information to the GDOE CNP website.

Plan to monitor and responsible officials:

The CNP State Administrator, Franklin Cruz, will ensure that CEP eligibility notifications are posted to the GDOE website by May 1 of every year to be in compliance with the reporting requirements of the NSLA.

Finding No.: 2023-005
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Finding No.: 2023-006
Federal Agency: U.S. Department of Agriculture
AL Program: 10.555 Child Nutrition Cluster
Federal Award No.: 7GU300GUB
Area: Reporting
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

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GDOE agrees with the finding. GDOE submitted monthly reimbursement claims for meals and snacks served to eligible students beyond the required 60-day reporting period and did not report sub awards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Sub Award Reporting System (FSRS) in FY 2023.

Plan of action and completion date:

At the start of FY 2024, the CNP Office added personnel to the processing of claims activity. The additional personnel to the process is to ensure the requests are reviewed and processed in a timely manner before transmitting to the GDOE Business Office for reimbursement draw and payment processing. After the transmission, the CNP Office will follow-up and confirm, via email, with the assigned personnel conducting the draws, that the requested draw/payment for claims reimbursement are completed in a timely manner. In addition, the Child Nutrition Programs Office will request for confirmation from the responsible personnel within the Business Office that the required Subaward report is submitted and posted to the respective SEFA to the FSRS.

Plan to monitor and responsible officials:

The CNP State Administrator, Franklin Cruz, and the Comptroller will ensure that claims are submitted and processed timely.

Finding No.: 2023-007
Federal Agency: U.S. Department of the Interior
Pass-Through Entity: Government of Guam
AL Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Period of Performance
Questioned Costs: \$113,767

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE is in receipt of Department of Interior grants and manages said funds in coordination with BBMR and Guam Homeland Security. GDOE established projects that were allowable for the use of these funds on a reimbursement basis. In an effort to maximize federal funding, GDOE initiated a transfer of expenses which was tied to a purchase order in FY 2016.

Plan of action and completion date:

GDOE Financial Affairs has recorded an adjusting journal entry to record the expenditures under FY 2021 but will have to reclass the expenditure in to FY 2020. GDOE will assign an accountant to reconcile GDOE's Department of Interior budget availability with BBMR and will monitor AS400 for proper recording of transactions.

Plan to monitor and responsible officials:

The Comptroller (vacant) will monitor on a quarterly basis expenditure from the Department of Interior grant and will prepare a progress report on a semi-annual basis to the Deputy of Finance and Administrative Services, Morgan W. Paul, for review and approval.

Finding No.: 2023-008
Federal Agency: U.S. Department of the Interior

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AL Program: 15.875 Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Finding No.: 2023-009
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education Grants to States
Area: Period of Performance
Questioned Costs: \$80,983

Views of Auditee and Corrective Actions:

GDOE agrees with Condition 1 questioned costs of \$560. The questioned charges are related to TPFA purchase orders issued in fiscal year 2019, which falls outside of the period of performance. The expenditure for the 2019 purchase order was transferred from the TPFA Munis and recorded in the incorrect GDOE Munis account.

GDOE disagrees with Condition 2 questioned costs of \$18,041. In line with federal regulations, GDOE paid (liquidated) the obligations in question on January 4 and 26, 2024, which is before the liquidation end date of January 28, 2024. E&Y auditors are citing GDOE for the issued checks clearing the bank after the liquidation end date, however, liquidation occurs when the recipient draws funds from the grants management system and pays obligations and not specifically when checks clear the bank.

GDOE agrees with Condition 2 \$62,382 questioned costs. While GDOE Munis system has recorded expenses of \$62,382 related to Special Education (SPED) obligations, funds were not drawn for these expenditures. In GDOE's federal review process, drawdowns are reviewed in alignment with specific conditions for allowability and in compliance with period of performance timelines. The identified funds were not expended from SPED grants. To correct this reporting deficiency, GDOE will record journal entries to transfer the expenditures to appropriate funding sources.

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Similarly, GDOE improperly charged \$3.1 million in payroll expenditures to SPED grants after the period of performance. Subsequently, GDOE corrected this finding by making the appropriate journal entries to transfer the improperly charged payroll expenditure to the appropriate grant year.

Plan of action and completion date:

The GDOE will perform a monthly review of all transactions to ensure charges are recorded in the appropriate grant year. Additionally, Grant Project Managers and Program Coordinators will timely communicate to the Human Resources and Business Office any changes to accounts charged for federally funded payroll expenditures. The IAO now provides an independent review of drawdown requests – a control that will help prevent liquidation after applicable period of performance

Plan to monitor and responsible officials:

Financial Affairs under the leadership of the Deputy of Finance and Administrative Services, Morgan W. Paul, and the GDOE Comptroller (vacant), will ensure an accountant is monitoring the expenditures of federal grants and the corresponding periods of performance and liquidation periods. Grant Project Managers and Federal Compliance review team will also provide timely communication for changes in grant year funding to HR relative to federal payroll.

Finding No.: 2023-010
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education Grants to States
Federal Award No.: H027A210013
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Finding No.: 2023-011

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Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Period of Performance
Questioned Costs: \$11,004

Views of Auditee and Corrective Actions:

GDOE disagrees with condition 1 related to FY 2024 purchase orders (PO). GDOE PO 20240171 is a copy over of the third-party fiduciary agent (TPFA) PO 20230010 which was issued in December 2022, within the CG 21 period of performance. GDOE acknowledges that the re-issued GDOE purchase order was not timely processed, however the purchase order which encumbered the funds occurred in the appropriate performance period.

Additionally, relative to payroll, FPD requests a list (i.e. Staffing Pattern) of all Federally funded personnel from HR. FPD distributes the list to CG Project Leads to validate and compare to the Federal Roster as approved in the Consolidated Grants (CG) Application. The list is updated to make any corrections necessary. Once validated by Project Leads and FPD, HR is given a memo requesting to change/correct the funding year to the new grant award.

In GDOE's Munis system, if the Human Resources (HR) employee salary records are not accurately updated, GDOE payroll will reflect dated pay tables until such time HR makes the appropriate updates based on project lead requests to update accounts to current grant year. GDOE recorded journal entries to transfer the improperly charged payroll expenditure to the appropriate grant year.

Plan of action and completion date:

The GDOE will perform a monthly review of all transactions to ensure charges are recorded in the appropriate grant year. Additionally, Grant Project Managers and Program Coordinators will work with the HR and Business Office any changes to accounts charged for federally funded payroll expenditures. IAO now provides an independent review of drawdown requests – a control that will help prevent liquidation after applicable period of performance

Plan to monitor and responsible officials:

Financial Affairs under the leadership of the Deputy of Finance and Administrative Services, Morgan W. Paul, and the GDOE Comptroller (vacant), will ensure an accountant is monitoring the expenditures of federal grants and the corresponding periods of performance and liquidation periods. Grant Project Managers and Federal Compliance review team will also provide timely communication for changes in grant year funding to HR relative to federal payroll.

Finding No.: 2023-012
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

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GDOE agrees with Condition 1. Procurement records that were tested by E&Y auditors were from procurements conducted prior to GDOE's implementation of the required certifications. GDOE had this finding in the prior year and has since made the updated changes to be standardized on all procurements exceeding \$100,000.

GDOE disagrees with Condition 2. In line with Title 5 of the Guam Code Annotated §5213, a "no quote" response will not be considered a positive quotation but shall be part of the procurement record, which shall further include a written record or memorandum of all solicitations and responses thereto, negative or positive, orally or in writing. In the event the agency obtains less than three (3) positive quotations and provides the attestation required by this Section, the agency may proceed with the small purchase procurement. GDOE has the required attestations on file to evidence that quotations were solicited to multiple potential vendors.

Plan of action and completion date:

GDOE has implemented the requirement for Byrd Anti-Lobbying Amendment certifications as part of bid submissions exceeding \$100,000. All contracts now include standardized language and certification forms to ensure compliance.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will continue to ensure that the Byrd Anti-Lobbying certification are a part of bid submissions exceeding \$100,000. The IAO will conduct audits of GDOE's formal procurements to ensure compliance.

Finding No.: 2023-013
Federal Agency: U.S. Department of Education
AL Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A220002
Area: Reporting
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE disagrees with the finding. GDOE is required to submit an annual report that includes financial and program performance information relative to Consolidated Grants (CG). GDOE's FFY 2022 CG Quarterly Report, dated October 31, 2023, reported a total expenditure amount that differs from accounting records by \$3.5 million.

The information cited in the finding references data from a quarterly monitoring tool, which is used for internal tracking and management purposes. However, GDOE is only required to submit programmatic and financial data in its annual report as required in 34 CFR 76.132(a)(5) and further reiterated in the criteria of this finding. The official reporting obligation is limited to the data submitted in the Annual Performance Report (APR).

Plan of action and completion date:

GDOE disagrees with the finding. However, to ensure the proper enforcement of monitoring controls and allow for a more accurate tool used for internal tracking and management purposes, the Federal Programs Division will remove the cited financial information from its quarterly reports.

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To best capture this information, the Federal Programs Division will now require this information be submitted and certified by the GDOE accounting team.

Finding No.: 2023-014
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425 Education Stabilization Fund – State Educational Agency (Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Allowable Costs/Cost Principles
Questioned Costs: \$378,118

Views of Auditee and Corrective Actions:

GDOE disagrees with the condition related to Simon Sanchez High School (SSHS) as the units were used prior to the school's closure. The units for SSHS were received and installed in October 2022. According to the school principal, all units were utilized in classrooms and offices. Following Typhoon Mawar, the school was deemed unsafe for occupancy, prompting the relocation of all units to a secured location.

GDOE agrees with the condition related to F.B. Leon Guerrero Middle School (FBLGMS). However, GDOE would like to clarify that the units for FBLGMS were initially delivered to JP Torres for staging and assembly in December 2022, which coincided with the closure of the school. In February 2023, the unused units were transferred to Tiyan High School for secure storage. The units will continue to be securely stored until the new school facilities have completed construction in school year 2025-2026 and 2026-2027.

Plan of action and completion date:

GDOE plans to utilize the HEPA filtration systems across other federal awards from the same granting agency, to include the Consolidated Grant and Special Education programs. GDOE will also utilize the units as replacements for other schools as needed.

Plan to monitor and responsible officials:

Program Coordinator, Cellini Higa, will coordinate the use of the HEPA units for other federal awards and replacements for other schools.

Finding No.: 2023-015
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425 Education Stabilization Fund – State Educational Agency (Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425A210003
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

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GDOE disagrees with the finding. The final 2023 data for the Maintenance of Effort (MOE) will be based on the audited financials for FY 2023 as approved in GDOE's communication with USEd. Since the audits for GDOE and the Government of Guam were both delayed, the final data needed to complete the MOE calculation was not available. GDOE was proactive in providing USEd with preliminary calculations using appropriated amounts for elementary and secondary education which indicated that the MOE fell within the acceptable one percent of the baseline. GDOE believes that it cannot be held to an audit finding for an MOE when the MOE calculation has yet to be finalized. Additionally, GDOE was approved for waivers in FY 2022. Upon completion of this year's audit and calculation of MOE, GDOE is still subject to a waiver request approval which would negate the MOE finding identified.

Plan of action and completion date:

Once the financial audits for GDOE and GovGuam are complete, the final FY 2023 MOE will be calculated. Should the FY 2023 MOE fall short of the baseline, a waiver request will be submitted to USEd. The submission of final data and waiver request, if needed, will be completed by December 30, 2024.

Plan to monitor and responsible officials:

The Internal Audit Office will ensure that the final MOE data is calculated and, if needed, a waiver request is prepared and submitted.

Finding No.: 2023-016
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
Area: Reporting
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE disagrees with the finding. Annual reports are prepared at a point in time. GDOE submitted the required annual reports for ESF I, ESF II, and ARP on May 23, 2023. Auditors referencing figures in the annual report should also be reconciling to the same period covered and utilized in the financial reporting, as transactions and adjustments occur in the system after the reports are submitted.

Plan of action and completion date:

GDOE disagrees with the finding but will continue to monitor all federal financial reporting for accuracy and timely submission per the grant requirements.



K. ERIK SWANSON PH.D
Superintendent of Education

**DEPARTMENT OF EDUCATION
INTERNAL AUDIT OFFICE**

501 Mariner Avenue, Barrigada, Guam 96913
Telephone: (671) 300-1336
Fax: (671) 472-5001
Email: iao@gdoe.net



**FRANKLIN
COOPER-NURSE**
Chief Internal Auditor

**Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2023**

Finding Number	Assistance Listing Number	Area	Questioned Cost	Status
2017-001	-	Reporting	\$ -	The finding does not warrant further action as (a) more than two years have passed since the audit report in which the findings occurred was submitted to the Federal Audit Clearinghouse, (b) the Federal Agency is not currently following up on the audit finding, and (c) a management decision was not issued.
2019 -001	12.000	Procurement and Suspension and Debarment	\$ -	The finding does not warrant further action as (a) more than two years have passed since the audit report in which the findings occurred was submitted to the Federal Audit Clearinghouse, (b) the Federal Agency is not currently following up on the audit finding, and (c) a management decision was not issued.
2019 -002	12.000	Special Tests and Provisions	\$ -	The finding does not warrant further action as (a) more than two years have passed since the audit report in which the findings occurred was submitted to the Federal Audit Clearinghouse, (b) the Federal Agency is not currently following up on the audit finding, and (c) a management decision was not issued.
2020 -001	15.875	Equipment and Real Property Management Capital Assets	\$ -	Pending Program Determination Letter from the U.S. Department of Interior.
2020 -001	93.600	Equipment and Real Property Management Capital Assets	\$ -	Pending Program Determination Letter from the U.S. Department of Health and Human Services.
2020 -002	-	Unrecorded Expenditures	\$ -	Corrective action ongoing. GDOE transitioned off the TPFA system as of April 2023 and is only transacting on the GDOE system.
2021-001	-	Unrecorded Expenditures	\$ -	Corrective action ongoing. GDOE transitioned off the TPFA system as of April 2023 and is only transacting on the GDOE system.
2021-002	-	Stale-dated checks	\$ -	Corrective actions. Financial Affairs is reviewing SOP 200-034 for updates. Corrective actions were taken noted deficiencies in FY23.

2021-003	84.425X	Activities Allowed or Unallowed	\$1,342,420	Pending Program Determination Letter from U.S. Department of Education.
2021-004	84.425A	Allowable Costs/Cost Principles	\$17,131	Corrective action ongoing. GDOE did not seek reimbursement of expenditures for overtime to exempt employees from ED. The GDOE Internal Audit Office provided the results of their review for management's disposition. Further, the Office of Public Accountability's conducted an investigative audit requiring corrective actions for noted deficiencies to include recovery of funds..
2022-001	-	Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable	\$ -	Corrective Action ongoing.
2022-002	-	Financial Statement Close Process	\$ -	Corrective Action ongoing.
2022-003	-	Loss Contingencies	\$ -	Corrective Action ongoing.
2022-004	84.027	Period of Performance	\$ 1,835	Corrective Action ongoing. Responsibility is share amongst several divisions with oversight of federal funds.
2022-005	84.027	Procurement and Suspension and Debarment	\$ -	Pending Program Determination Letter from U.S. Department of Education.
2022-006	84.181	Period of Performance	\$ -	Pending Program Determination Letter from U.S. Department of Education.
2022-007	84.181	Procurement and Suspension and Debarment	\$ -	Pending Program Determination Letter from U.S. Department of Education.
2022-008	84.403	Procurement and Suspension and Debarment	\$ -	Pending Program Determination Letter from U.S. Department of Education.
2022-009	84.425	Activities Allowed or Unallowed	\$ -	Pending Program Determination Letter from U.S. Department of Education.
2022-010	84.425A	Matching, Level of Effort, Earmarking	\$ -	Pending Program Determination Letter from U.S. Department of Education.