



Guam Department of Education FY 2014 Compliance Highlights

May 6, 2015

The Guam Department of Education (GDOE) has been a high-risk grantee with the U.S. Department of Education (USDOE) for the past 12 consecutive years. Although the independent auditors Deloitte & Touche, LLP rendered an unmodified “clean” opinion on all of GDOE’s major federal programs for fiscal year (FY) 2014, they identified two findings, one of which was a both of which was a material weakness (*) and the other a significant deficiency (^). Both findings were repeat conditions identified in prior GDOE single audit reports.

Federal Program Funding

In FY 2014, GDOE expended \$62.5 million (M) in federal awards from five grantor agencies: (1) \$40M from USDOE, (2) \$11.1M from the U.S. Department of Agriculture, (3) \$7.7M from the U.S. Department of the Interior, (4) \$2.7M from the U.S. Department of Health and Human Services, and (5) \$1M from the U.S. Department of Defense. Of the \$62.5M, the three largest expenditures were for USDOE Consolidated Grants to the Outlying Areas at \$25.1M, Special Education at \$12.5M, and the National School Lunch Program and School Breakfast Program at \$10.5M.

Transition from Third-Party Fiduciary Agent to GDOE

In November 2009, the USDOE imposed a special condition that a Third Party Fiduciary Agent (TPFA) assist GDOE in implementing its financial management of USDOE funds, GDOE’s Comprehensive Corrective Action Plan, and a new financial management information system. In July 2014, USDOE confirmed continued improvement has been made and encouraged GDOE to consider a request to amend the Special Conditions. The TPFA and GDOE are working on transition plans to determine what resources and activities are necessary should the requirement for the TPFA be reduced in scope or removed.

FY 2014 marked the second year GDOE incurred local expenditures associated with addressing its high-risk grantee status by the USDOE. Between FY 2011 and March 2015, a total of \$15.7M has been spent on the TPFA contract, of which \$7.7M is local funds and \$8M is federal funds.

General Ledger Reconciliations (2014-001*): GDOE did not perform timely reconciliations between its Schedule of Expenditures of Federal Awards (SEFA) and its general and subsidiary ledgers for Federal Grants. While improvements were made in the reconciliation of GDOE’s ledgers to the TPFA’s records, audit adjustments were proposed due to misstatements identified.

Non-Appropriated Funds (NAF) (2014-002^): While the independent auditors noted improvements in NAF, expenditures continue to lack supporting documentation and cash balances were not reconciled. Approximately \$307K in receipts did not meet NAF

documentation requirements. Approximately \$21K in cash collections may not have been remitted to the bank.

Management Letter Comments

The independent auditors issued a management letter containing five findings relating to:

- (1) Leave accrual for ineligible employees;
- (2) Unrecorded liabilities of \$1.4M;
- (3) Overstatement of expenditures and payables amounting to \$516K for the prepayment of book orders that was not released to the vendor as of year-end;
- (4) Lack of comprehensive manual processes and lack of a compatible disaster recovery system in the event of a system disruption or failure; and
- (5) Resolution of conflicting procurement policies.

The reports can be viewed in their entirety at www.opaguam.org.