



Financial Highlights
Guam Department of Education Financial Audit
Fiscal Year 2024

January 2, 2026

The Guam Department of Education (GDOE) received unmodified (clean) opinions from independent auditors, Ernst & Young LLP, on its fiscal year (FY) 2024 financial statements and on compliance with the Consolidated Grant to the Outlying Areas, a major federal program.

GDOE received a **qualified opinion on all other major federal programs, specifically the Child Nutrition Cluster, Special Education Cluster, and Education Stabilization Fund (ESF)**, and has remained a high-risk grantee with the U.S. Department of Education (USED) for the past 22 years. Specifically, the auditors identified:

- **Three material weaknesses** in GDOE's internal control over financial reporting and compliance;
- **Four material weaknesses and six significant deficiencies** in GDOE's internal control over compliance on major federal programs, resulting in **\$1 million (M) in questioned costs**; and
- **Eight deficiencies** in GDOE's internal control and other matters in a management letter.

GDOE closed FY 2024 with an operational surplus of \$67.4M, driven by substantially higher revenues, actual General Fund expenditures below budgeted and appropriated levels, and a \$51M transfer of locally funded payroll expenditure to the American Rescue Plan (ARP) for reimbursement. Significant highlights in GDOE's financial audit include:

- Untimely Issuance of Financial Audit;
- GDOE Management Team Experienced Increased Turnover and Instability;
- Management and Curriculum Audit Identified Low Trust and Lack of Accountability;
- Revenues Increased by \$97.3M, Expenditures Increased by \$62.6M;
- Local Appropriations Increased by \$20.2M;
- \$12.1M in Expired and Lost Federal Grant Funds;
- Payroll Expenditures Increased, Employee Count and Student Enrollment Decreased;
- \$51M in Local Payroll Expenditure Transfer to ARP;
- High Risk Grantee Status and USED Federal Fiscal Year (FFY) 2024 Specific Conditions; and
- GDOE's Corrective Action Plan to Address Material Weaknesses and Significant Deficiencies.

Untimely Issuance of Financial Audit

GDOE issued its FY 2023 Financial and Single Audit on November 6, 2024, 129 days past the June 30, 2024 statutory deadline. The FY 2024 financial audit was also significantly delayed beyond the June 30, 2025 deadline resulting in another untimely issuance. External auditors flagged the delayed audit completion, citing outstanding reconciliations that remain unresolved

nearly one year after fiscal year-end, as well as insufficient qualified personnel in the Financial Affairs Division. To address this, the Guam Education Board (GEB) Audit Committee assigned the Internal Audit Office (IAO) to complete final adjustments, prepare the Schedule of Expenditures of Federal Awards (SEFA), and compile audit documentation. Although GDOE hired a new Deputy Superintendent of Finance & Administrative Services, Acting Comptroller, and additional accounting staff, the audit readiness was still lacking. The IAO provided limited, conditional support to maintain the integrity of financial statements, but formally documented that performing operational accounting functions violates audit independence standards. The IAO stressed that such intervention should remain an extraordinary, nonrecurring measure and may warrant reassessing capacity within the Financial Affairs Division.

As of December 2025, GDOE has not closed its FY 2025 accounting records, despite a statutory fiscal year-end of September 30 and a final closing deadline of November 15, 2025. Based on the current status, the FY 2025 financial audit is also at risk of being issued late.

GDOE Management Team Experienced Turnover and Instability

Since the former Superintendent's resignation in July 2022, GDOE has experienced significant turnover in executive leadership, with several interim appointments made until a permanent appointment was finalized in July 2023. In June 2025, the current Superintendent announced his resignation, effective December 31, 2025. The GEB promptly initiated an expedited recruitment process, with the incoming Superintendent expected to begin in January 2026. Leadership turnover has also extended to other key management positions, affecting GDOE's capacity for sustained leadership, disrupting decision-making, delaying implementation of strategic initiatives, and hindering organizational continuity.

Management and Curriculum Audit Identified Low Trust and Lack of Accountability

In accordance with Public Law (P.L.) 37-44, GDOE initiated its first management and curriculum audit since 2009 to assess operational efficiency, instructional effectiveness, and compliance in governance, finance, human resources, facilities, technology, and safety. Led by the Pacific Policy Research Center (PPRC), the audit covered FY 2024 and was funded by GDOE's FY 2025 local appropriation. PPRC conducted two on-site visits to Guam: one in July 2025 for Central Office Divisions and another in September 2025 to examine selected schools, observing classroom instruction, administrative operations, and facility conditions.

The audit revealed ongoing issues of "low trust and fractured relationships" between the GEB and GDOE leadership and staff, and also noted the Guam Legislature's unanimous lack of confidence in accountability for student outcomes. Despite achieving full accreditation for all schools in 2021, English Language Arts and Math performance have remained consistently low for five years. The audit recommends enhanced professional development to improve staff skills, measurable performance metrics to enhance accountability, and clearer boundaries between the GEB and Superintendent's responsibilities to improve governance.

Revenues Increased by \$97.3M, Expenditures Increased by \$62.6M

Total revenue increased by \$97.3M, from \$377.8M in FY 2023 to \$475.1M in FY 2024, due to an increase in federal grant revenues of \$74.7M and a \$22.6M increase in local appropriations. The \$74.7M increase in federal grant revenues was largely due to the transfer of \$51M in local teacher payroll costs to the ARP for reimbursement. The \$22.6M increase in local appropriations included

\$2.4M in disaster-related General Fund support; \$4.7M passed through to the Department of Administration (DOA) for school lease-back payments; and \$10M in supplemental funding for the CHamorro Language Program and other operational needs.

GDOE's total expenditure increased by \$62.6M, from \$378M in FY 2023 to \$440.6M in FY 2024, largely due to increases of \$26.4M in contractual and \$11M in salaries, benefits, and retiree healthcare benefits. These increases were partially offset by decreases of \$4.8M in equipment, \$1.9M in power, and \$1.8M in the First Generation Trust Fund. Despite overall increases in expenditures, GDOE incurred General Fund expenditures of \$225.8M, significantly below the budgeted amount of \$351.1M and appropriated amount of \$266.8M in FY 2024. Correspondingly, current liabilities increased by \$12.2M, primarily due to higher accounts payable, which grew from \$24.6M to \$31.1M in FY 2024, and increases in other liabilities and accruals, reflecting a greater volume of expenditures incurred but unpaid at fiscal year-end.

Local Appropriations Increased by \$20.2M

In FY 2024, through Board Resolution 2023-04, GDOE requested a budget of \$294.6M to fund baseline operations, including current staffing levels, critical contracts, and utilities. P.L. 37-42 appropriated \$266.8M or \$27.8M less than requested. Despite the shortfall, local appropriations increased by \$20.2M, from FY 2023, including \$10M in supplemental appropriation, allowing GDOE to close FY 2024 with an operational surplus of \$67.4M. When combined with the \$9.7M surplus carried forward from FY 2023, GDOE's cumulative surplus totaled \$77M at the end of FY 2024.

GDOE's local appropriations have continued an upward trend over the past three fiscal years, reflecting sustained government support for public education. Appropriations increased by \$34.4M from FY 2022 to FY 2023, by \$20.2M from FY 2023 to FY 2024, and by \$9.0M from FY 2024 to FY 2025. Although local funding continues to grow each year, the smaller annual increases show that appropriations are beginning to level off, underscoring the importance of strategic budgeting and continued fiscal discipline to sustain GDOE operations.

\$12.1M in Expired and Lost Federal Grant Funds

In FYs 2024 and 2025, several of GDOE's major USED grant awards expired with substantial unliquidated balances. As of December 2025, approximately \$12.1M in federal funds has expired and is at risk of loss. The largest unspent balances occurred in the Consolidated Grant, Individuals with Disabilities Education Act programs, ARP-Individuals with Disabilities, and ESF II grant. These expired balances demonstrate weaknesses in GDOE's grant management capacity, including insufficient ability to implement program activities within the required grant performance and liquidation periods. Despite multiple grants receiving liquidation extensions, GDOE was unable to properly utilize \$12.1M in available federal resources, resulting in lost opportunities to deliver special education services, early intervention supports, and other supplies, equipment, and services to support public education. These programs were fully funded but never realized.

Payroll Expenditures Increased, Employee Count and Student Enrollment Decreased

Salaries and benefits, including retirement and healthcare benefits, are primary components of GDOE expenditures, accounting for \$276.1M or 67.7% of total (federal and local) expenditures in FY 2024. Personnel costs (salaries, benefits, and retiree healthcare benefits) increased by \$11M in

FY 2024. As of September 2024, the overall number of GDOE employees decreased by 202 from 3,407 employees in FY 2023 to 3,205 in FY 2024. The number of locally funded employees decreased by 58, federally funded employees decreased by 142, and employees funded by both local and federal funds decreased by 2. The overall decrease in GDOE's employee count is primarily attributed to reductions in federally funded, limited-term positions. Sixty-six temporary ARP-funded positions for school and community aides aimed at reducing COVID-19-related learning loss expired on September 30, 2024. Additionally, federally funded school aide positions dropped by 54 and 26 in Special Education Part B and Consolidated Grant programs, respectively. Locally funded teacher positions declined due to retirements, instructional staff realignment in response to declining student enrollment, and continued challenges in teacher recruitment.

As of September 30, 2024, total student enrollment was 23,413, a decrease of 909 students from the previous year's enrollment of 24,322. Significant declines occurred in grades 2, 4, 8, 9, and 10, which together accounted for a 790-student decline. 9th grade alone declined by 306 students. In contrast, 12th grade enrollment increased by 185 students in school year (SY) 2024-2025.

\$51M in Local Payroll Expenditure Transfer to ARP

Section 2001(e)(1) of the ARP Act mandates that local education agencies reserve 20% of their total ARP awards to address learning loss through various evidence-based programs. GDOE attempted to meet this requirement by soliciting professional consulting services, but the procurement failed, preventing them from obligating funds before the grant's expiration. In a last-minute effort to comply, on September 29, 2024, one day before the end of the performance period, GDOE sought to transfer \$51M from locally funded teacher payroll expenditures to ARP, but this request was denied due to its misalignment with the approved budget.

After amending their request, on September 22, 2025, GDOE secured approval for a total of \$54M in extended liquidation, inclusive of the \$51M in payroll expenditures and \$3M in outstanding federal payroll receivables. The delayed approval resulted in the expenditure transfer occurring in FY 2026 rather than within the ARP period of performance (POP), indicating that ARP funds were not utilized as originally intended, but for last minute pivots to secure grant funds. As a result of the transfer, GDOE's FY 2024 ending fund balance reflected a General Fund surplus of \$77M, representing unassigned and uncommitted local cash resources.

High Risk Grantee Status and USEd FFY 2024 Specific Conditions

FY 2024 marked the 12th year that GDOE incurred local expenditures associated with addressing its high-risk grantee status by USEd. The high-risk designation and imposition of specific conditions only pertains to USEd grants awarded to GDOE. In July 2024, USEd issued GDOE's FFY 2024 Specific Conditions, removing the Third-Party Fiduciary Agent (TPFA) requirement and emphasizing the GDOE's IAO structure as an independent reviewer of internal processes for accountability and oversight. A new condition also mandates that GDOE's IAO and the Guam Office of Public Accountability conduct periodic audits of GDOE's management of USEd funds.

Material Weaknesses Found in GDOE's Internal Control over Financial Reporting

The auditors identified **three material weaknesses** in GDOE's internal control over financial reporting, discussed below, due to the Financial Affairs Division's lack of qualified and trained personnel.

1. ***Finding 2024-001, Federal Grants Assistance Fund and SEFA Preparation (identified as a repeat prior year audit finding)***, auditors identified the following deficiencies:
 - GDOE’s Schedule of Federal Receivables and Deferrals (SEFRAD) did not include sufficient detail of the reimbursable expenditures to support the financial statement balances under the federal grants assistance fund. The final SEFRAD was completed 12 months after the financial reporting date.
 - Federal grants assistance fund receivables, revenues, expenditures and accruals were understated by \$1.3M due to an unrecorded vendor invoice.
 - The SEFA and supporting expenditure listing were not timely reconciled and completed, resulting in multiple versions being provided during the audit. Further examination of the expenditure listing revealed numerous credit balances that were not timely reconciled and removed from the listing.
2. ***Finding 2024-002, Financial Statement Close Process***, auditors identified and proposed audit adjustments to correct the misstatements identified, as follows:
 - Liabilities related to financed purchases of schools were overstated by approximately \$9.6M based on the corresponding amortization schedules.
 - Net pension liability was overstated by approximately \$22.5M based on the schedule of employer allocations and schedule of pension amounts by employer for the measurement period ended September 30, 2023.
 - Amounts paid by Government of Guam on behalf of GDOE amounting to approximately \$15.2M for retiree healthcare benefits were not recorded in the statement of revenues, expenditures and changes in fund balances in the General Fund and statement of activities as revenue with a corresponding expense or expenditure.
 - Compensated absences payable and accrued sick leave liability were not adjusted to reflect the year-end balances and are overstated by \$682 thousand (K) and \$2.9M, respectively.
 - Other Post Employment Benefits (OPEB) liability was understated by \$123.6M based on the schedule of employer shares by component unit for the measurement period ended September 30, 2023.
3. ***Finding 2024-011, ESF - Matching, Level of Effort, Earmarking***, auditors identified that for 38 of 40 items, aggregating \$830K of \$55.4M in total expenditures used in earmarking calculation, GDOE incorrectly concluded the regular salaries and wages of teachers that underwent training to implement accelerated learning in classrooms during regular hours as evidenced-based interventions to address the lost instructional time. This resulted in a reportable questioned cost of **\$825,567** based on the transactions examined in verifying the costs attributed to the earmarking requirement. At the error rate of 99.5%, the auditors project that **total qualified expenditures incurred by GDOE that meet the earmarking requirement are deficient by approximately \$57M** of the \$287M grant.

Material Weaknesses and Significant Deficiencies Found in GDOE’s Internal Control over Compliance on Major Federal Programs

The auditors identified **four material weaknesses, six significant deficiencies, and questioned costs totaling \$1M** related to GDOE’s internal control over compliance for major federal programs, as discussed below.

Material Weaknesses

1. **Finding 2024-003, Child Nutrition Cluster – Eligibility (identified as a repeat prior year audit finding):** GDOE functions both as a State Educational Agency and Local Educational Agency (LEA). As of December 4, 2025, the annual notification for SY 2023-2024 and SY 2024-2025 has not been published on GDOE’s website, specifically the lists of eligible and near-eligible LEAs and schools. Additionally, documentation of community eligibility provision approval was not provided.
2. **Finding 2024-004, Child Nutrition Cluster – Reporting (identified as a repeat prior year audit finding),** auditors identified the following:
 - Quarterly SF-425s for Supply Chain Assistance fund were not prepared and submitted for certain quarters during FY 2024.
 - Variances between the expenditures reported in Financial Status Report against the underlying accounting records.
 - Subawards are not reported in FFATA Subaward Reporting System for two transactions tested.
3. **Finding 2024-006, Special Education Grants to States – POP (identified as a repeat prior year audit finding),** auditors found that of the 60 items, aggregating \$385K of \$3.2M of expenditures subjected to POP test, the deficiencies below were noted, resulting in **questioned costs of \$39,665:**
 - For four items, GDOE charged costs to a federal award after the POP ended and liquidated obligations of a federal award after the approved liquidation end date.
 - For one item, compliance with POP of expenditure amounting to \$428 could not be determined as supporting documents was not made available for examination.
 - There is no review in place to ensure that liquidation of the obligation occurs within the allowable time period.
4. **Finding 2024-011, ESF - Matching, Level of Effort, Earmarking:** Identified as a material weakness in GDOE’s Internal Control over Financial Reporting, and discussed in the previous section above.

Significant Deficiencies

1. **Finding 2024-005, Special Education Grants to States - Equipment and Real Property Management,** auditors found that for four of 40 items with a net book value of \$545K subjected to equipment safeguarding test, items tagged as “A” or active in the property record were not physically inspected as it was noted to be missing during the audit. This resulted in **questioned costs of \$1,391.**
2. **Finding 2024-007, Special Education Grants to States - Procurement and Suspension and Debarment,** auditors found that GDOE does not have procurement policies that meet the Title 2 of the Code of Federal Regulations (CFR) Sections 200.318(a) and 200.324(a) requirement and GDOE lacks adequate internal control over periodic review of procurement policies, ensuring all required key provisions from the Compliance Supplement are included in the procurement policies.
3. **Finding 2024-008, Consolidated Grant to the Outlying Area - Cash Management,** auditors found that out of 317 items totaling \$28.9M in cash draws, 42 items amounting to \$9M were not paid to vendors on the same day or within 24 hours of fund receipt, resulting in **questioned costs of \$112,652.** GDOE lacks the necessary internal controls and procedures to ensure timely disbursement of funds from USEd. Current Standard Operating

Procedures do not adequately address the roles and responsibilities of TPFA, leading to management's unawareness of this requirement.

4. ***Finding 2024-009, Consolidated Grant to the Outlying Area - Procurement and Suspension and Debarment***, auditors found that out of 39 items, aggregating \$427K of \$9M of expenditures subjected to procurement test, the deficiencies below were noted, resulting in **questioned costs of \$6,918**:
 - For one item, procurement did not provide full and open competition in the solicitation process. The request for quotation specified particular model, including a requirement for a specific “brand name” product instead of allowing “an equal” product to be offered.
 - GDOE does not have procurement policies that meet 2 CFR 200.318(a) and 2 CFR 200.324(a).
5. ***Finding 2024-010, ESF - Equipment and Real Property Management***, auditors found that for one of 40 items, aggregating \$85K of \$5.5M in total cost of assets subjected to equipment acquisition test, cost of asset was incorrectly recorded in the property record. This resulted in **questioned cost of \$1,842**.
6. ***Finding 2024-012, ESF - Special Tests and Provisions - Wage Rate Requirements***, auditors found that for one of the three construction contracts subjected to the Wage Rate Requirements test, there was no executed construction contract between GDOE and the contractor; consequently, certified payrolls were not submitted to GDOE. Total expenditure charged to the program for the construction project with the contractor is **\$45,750, which is a reportable questioned cost**.

Deficiencies in Internal Control Identified in Management Letter

The auditors issued a management letter and identified **eight deficiencies and other matters** in GDOE’s internal control over financial reporting:

1. **Capital Assets:** Leased buildings for certain schools, warehouses, and offices were over depreciated by \$1.9M. As this amount is not considered material to the financial statements, proposed adjustment is included in the department-wide communication schedule for uncorrected misstatements.
2. **OPEB Census Data:** For eight out of 25 samples tested, GDOE inaccurately reported the gender information of census data submitted to DOA, which was used by the actuaries for valuing the total OPEB liability for measurement date ended September 30, 2022.
3. **Governmental Accounting Standards Board (GASB) 87 Leases:** GDOE did not report a lease contract applicable under GASB 87. Unrecorded lease asset and lease liability as of September 30, 2024 both amounted to \$1.5M. As this amount is not considered material to the financial statements, proposed adjustment is included in the department-wide communication schedule for uncorrected misstatements.
4. **Provision of Allowance for Doubtful Accounts on Federal Receivables:** GDOE does not have a formal process in the provision of allowance for doubtful accounts on its federal receivables.
5. **Financial Status Report FNS 777:** Auditors noted variances between the expenditures reported in Financial Status Report FNS 777 against the underlying accounting records.
6. **Equipment and Real Property Management:** Auditors had the following comments related to Equipment and Real Property Management:
 - Assets tagged as “A” or active in the property record, however, based on physical sighting, assets are noted to be “NW” not working or not in use. Auditors noted

the records appropriately reflect the condition of the property; however, ultimate disposition is not yet determined by GDOE.

Assets tagged as “A” or active in the property record, however, assets have been disposed. Auditors noted the records appropriately reflect the disposition information; however, “Status” field information is outdated. Auditors also noted the records do not appropriately reflect the disposition information.

- Assets tagged as “GO” or good condition in the property record, however, based on physical sighting, assets are noted to be not working/obsolete. Auditors noted the records do not appropriately reflect the condition of the property and ultimate disposition information.
- Upon physical inspection of two assets, auditors noted the serial number is incorrectly stated due to typographical error.

7. Procurement and Suspension and Debarment: According to GDOE’s procurement policy, vendors are given a minimum of three working days to respond to solicitation and all vendors should be given the same number of days to submit quotes.

8. Federal Financial Report (FFR): Auditors noted variances between the expenditures reported in FFR against the underlying accounting records for the Consolidated Grant to the Outlying Area.

GDOE’s Corrective Action Plan to Address Material Weaknesses and Significant Deficiencies

GDOE submitted its Corrective Action Plan to address the material weaknesses and significant deficiencies identified in its internal control over financial reporting and compliance for major federal programs. GDOE **agreed with seven findings** (Findings 2024-001, 2024-002, 2024-003, 2024-004, 2024-008, 2024-010, and 2024-012) and **disagreed with four findings** (Findings 2024-005, 2024-007, 2024-009, and 2024-011). **As of report date, GDOE is pending the response from one division for one finding** (Finding 2024-006). In its plan of action and plan to monitor for three findings, GDOE identified the Comptroller, a position that has been vacant since FY 2024, as one of the responsible officials to address several of the audit findings to ensure that they are not repeated. However, the auditors identified a lack of qualified and trained personnel and management in the Financial Affairs Division as a key reason for certain findings identified in the audit.

For more details, refer to GDOE’s FY 2024 Financial Statements, Reports on Compliance, Management Letter, and the Auditor’s Communication With Those Charged With Governance at www.opaguam.org.