

*Management Letter*

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

*Year ended September 30, 2024*



**Shape the future  
with confidence**

December 31, 2025

Dr. Kenneth Swanson  
Superintendent  
Guam Department of Education  
Government of Guam

In planning and performing our audit of the financial statements of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2024, 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, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 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.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

### **Capital Assets**

Comment: Capital leased buildings for certain schools, warehouses and offices were over depreciated by \$1.92 million. As this amount is not considered material to the financial statements, a proposed adjustment is included in the department-wide communication schedule for uncorrected misstatements.

Recommendation: We recommend GDOE management to establish internal control policies and procedures requiring depreciation expense be recorded based on established capital asset policy.

### **OPEB Census Data**

Comment: For 8 out of 25 samples tested, GDOE inaccurately reported the gender information of census data submitted to the Department of Administration (DOA), which was used by DOA actuaries for valuing the total OPEB liability with a September 30, 2022 measurement date. The actuaries performed a roll forward approach and used the same census information in valuing the total OPEB liability for a September 30, 2023 measurement date.

Recommendation: We recommend GDOE management to establish review controls to ensure that accurate census data is submitted to GovGuam's Department of Administration.

### **GASB 87 Leases**

Comment: GDOE did not report a lease contract applicable under GASB 87, *Leases*. Unrecorded lease asset and lease liability as of September 30, 2024 amounted to \$1.48 million and \$1.53 million, respectively. As the amounts are not considered material to the financial statements, a proposed adjustment is included in the department-wide communication schedule for uncorrected misstatements.

Recommendation: We recommend GDOE management evaluate and correctly assess lease contracts in accordance with GASB 87, *Leases*.

### **Provision of Allowance for Doubtful Accounts on Federal Receivables**

Comment: GDOE does not have a formal process in the provision of allowance for doubtful accounts on its federal receivables.

Recommendation: We recommend GDOE to develop and implement a formal process in providing allowance for doubtful accounts on its federal receivables with consideration of the grant's cost allowability principles, period of performance and liquidation period.

## Financial Status Report FNS 777

Comment: For ALN 10.555 Child Nutrition Cluster, we noted variances between the expenditures reported in Financial Status Report FNS 777 against the underlying accounting records as summarized below:

STATUS OF FUNDS PROGRAMS/FUNCTIONS/ACTIVITIES	Reported during FY24 QTR 1 (10/01/23 - 12/31/23)	Total per Expenditure Details	Over (Under) Reported variance
Net outlays previously reported	\$ -	\$ -	\$ -
Total outlays this report period	4,050,933	\$3,891,022	159,911
Less: Program income credits	-	-	-
Net outlays this report period (Line b minus line c)	<u>4,050,933</u>	<u>3,891,022</u>	<u>\$159,911</u>
Net outlays to date (Line a plus line d)	4,050,933	3,891,022	159,911
Less: Non-Federal Share of outlays	-	-	-
Total Federal share of outlays (Line e minus line f)	<u>4,050,933</u>	<u>3,891,022</u>	<u>159,911</u>
Total unliquidated obligations	9,230	9,230	-
Less: Non-Federal Share of unliquidated obligations shown on line h	-	-	-
Federal share of unliquidated obligations	<u>9,230</u>	<u>9,230</u>	<u>-</u>
Total Federal share of outlays and unliquidated obligations	4,060,163	3,900,252	159,911
Total cumulative amount of Federal fund authorized	<u>4,697,522</u>	<u>4,697,522</u>	<u>-</u>
Unobligated balance of Federal funds	<u>\$ 637,359</u>	<u>\$ 797,270</u>	<u>\$(159,911)</u>

Recommendation: Responsible personnel should establish and implement controls over compliance with applicable reporting requirements relative to accurate reporting of expenditures in FSRS.

## Equipment and Real Property Management

Comments:

- Assets listed below are tagged as “A” or active in the property record, however, based on our physical sighting, assets are noted to be “NW” not working and or not in use. We noted the records appropriately reflect the condition of the property, however, ultimate disposition is not yet determined by GDOE.

<u>ALN</u>	<u>Asset #</u>	<u>Description</u>	<u>Status</u>	<u>Tag #</u>
84.027	30507	ACER SPIN 5 LAPTOP	A	30507
84.027	33203	HP SMART BUY 260 DESKTOP	A	33203
84.027	93169	NORTH BAYOU AVA1800-70-1P STAND	A	93169
84.425	02255	SONY LAPTOP COMPUTER	A	02255
84.425	32630	LENOVO L390 YOGA LAPTOP	A	32630

## Equipment and Real Property Management, continued

### Comments, continued:

2. Assets listed below are tagged as “A” or active in the property record, however, assets have been disposed. We noted the records appropriately reflect the disposition information, however, “Status” field information is outdated.

<u>ALN</u>	<u>Asset #</u>
84.027	107
84.027	2508
84.027	2509
84.027	6093
84.027	6094
84.027	26730
84.027	27886
84.027	30346
84.027	108
84.027	33196
84.027	30344
84.403	14493
84.403	14580
84.403	50770
84.403	3819
84.403	28438
84.403	539
84.403	742

3. Assets listed below are tagged as “A” or active in the property record, however, assets have been disposed. We noted the records do not appropriately reflect the disposition information.

<u>ALN</u>	<u>Asset #</u>
84.027	9
84.027	36
84.027	38
84.027	2396
84.027	13805
84.027	3893
84.027	5520
84.027	27908
84.027	43853
84.027	11518
84.027	20
84.027	2607
84.027	2344
84.027	4237

## Equipment and Real Property Management, continued

Comments, continued:

4. Assets listed below are tagged as “GO” or good condition in the property record, however, based on our physical sighting, assets are noted to be not working/ obsolete. We noted the records do not appropriately reflect the condition of the property and ultimate disposition is not yet determined by GDOE.

<u>ALN</u>	<u>Asset #</u>
84.403	43928
84.403	50649
84.403	68474

5. Upon physical inspection of the assets listed below, we noted the serial number is incorrectly stated due to typographical error.

<u>ALN</u>	<u>Asset #</u>
84.403	91479
84.403	5827

Recommendation: We recommend GDOE to update the ultimate disposition of the assets noted to be not working or not in use and update the status and/or disposition information of assets that have been disposed.

## Procurement and Suspension and Debarment

Comments: According to GDOE’s procurement policy, vendors are given a minimum of three (3) working days to respond to solicitation and all vendors should be given the same number of days to submit quotes. However, for the following procurement, solicitation period was less than the minimum of 3 days:

<u>ALN</u>	<u>PO Reference</u>	<u>PO Amount</u>	<u>FY2024 Expenditure</u> <u>Amount</u>
84.027	20240021	\$219,075	\$205,506
84.027	20240020	\$ 6,000	\$ 4,915
84.027	20240009	\$224,250	\$198,313
84.403	20241869	\$ 13,760	\$ 13,760
84.403	20241342	\$ 1,407	\$ 1,407
84.403	20241227	\$ 20,880	\$ 20,880
84.403	20240914	\$ 5,284	\$ 5,284
84.403	20240648	\$195,432	\$195,432

Furthermore, for PO#20241227, with PO amount and expenditure of \$20,880, related to ALN 84.403, we noted quotation of the selected vendor is expired.

Recommendation: Responsible personnel should implement established procurement policies and procedures.

### Federal Financial Report (FFR)

Comment: For ALN 84.403 Consolidated Grant to the Outlying Area (Federal Award# S403A220002), we noted variances between the expenditures reported in FFR against the underlying accounting records as summarized below:

	<b>Federal Financial Report</b>	<b>Total per Expenditure Details</b>	<b>Over (Under) Reported variance</b>
Cash Receipts	\$2,007,302	\$1,656,069	\$351,233
Cash Disbursements	\$2,007,302	\$1,656,069	\$351,233

Recommendation: Responsible personnel should establish and implement controls over compliance with applicable reporting requirements relative to accurate reporting of expenditures in FFR.

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This communication is intended solely for the information and use of the Guam Education Board, GDOE management, others within the organization, and the Guam Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

*Ernst + Young LLP*