

Reports on Compliance

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

Year Ended September 30, 2022



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(A Line Agency of the Government of Guam)

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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, 2022, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements, and have issued our report thereon dated November 13, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-003 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-008.

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 13, 2023



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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

Opinion on Each Major Federal Program

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, 2022. GDOE's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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 opinion 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.

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 2022-004 through 2022-010. 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 item 2022-008 to be a material weakness.

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 2022-004 through 2022-007, 2022-009, and 2022-010 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, 2022, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements. We issued our report thereon dated November 13, 2023, 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 13, 2023

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

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

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:				
CN Technology Innovation Grant Program	10.541		\$	131,428
Child Nutrition Cluster:				
National School Lunch Program (NSLP)	10.555		\$ 1,140,739	14,223,988
Subtotal Child Nutrition Cluster				<u>14,223,988</u>
Child and Adult Care Food Program	10.558		4,100	32,401
State Administrative Expenses for Child Nutrition	10.560			93,913
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568		17,366	43,844
Subtotal Food Distribution Cluster				<u>43,844</u>
Team Nutrition Training Grant	10.574			19,946
Farm to School Grant	10.575			42,690
Total U.S. Department of Agriculture			\$ <u>1,162,205</u>	\$ <u>14,588,210</u>
U.S. DEPARTMENT OF DEFENSE:				
Direct:				
Army JROTC	12.U01		\$	306,137
Air Force JROTC	12.U02			237,290
Marine JROTC	12.U03			1,285
Total U.S. Department of Defense				\$ <u>544,712</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	\$	2,294,250
Municipal School Leaseback	15.875	778904292		5,735,750
Total U.S. Department of the Interior				\$ <u>8,030,000</u>
U.S. DEPARTMENT OF EDUCATION:				
Direct:				
Special Education Cluster (IDEA):				
Special Education-Grants to States (IDEA, Part B)	84.027		\$	16,123,364
COVID-19, American Rescue Plan - Individuals with Disabilities Education Act (ARP)	84.027X			2,014
Subtotal Special Education Cluster (IDEA)				<u>16,125,378</u>
Special Education-Grants for Infants and Families				
Project Hita Para M'ona / State Personnel Development	84.181			1,474,356
Striving Readers / Comp. Literacy Development	84.323			282,177
Statewide Longitudinal Data System	84.372			248,220
Consolidated Grant to the Outlying Areas	84.403			295,823
Consolidated Grant to the Outlying Areas	84.403			29,119,843
Education Stabilization Fund:				
COVID-19, Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)	84.425A			65,678,120
COVID-19, American Rescue Plan - State Agency Educational Agency (Outlying Areas) (ARP-OA SI)	84.425X			23,212,982
Pass-Through Government of Guam - Department of Administration:				
COVID-19, Education Stabilization Fund - Governors (Outlying Areas) (ESF - Governor)	84.425H	778904292		181,866
Subtotal Education Stabilization Fund:				<u>89,072,968</u>
Total U.S. Department of Education			\$	<u>136,618,765</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct:				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		\$	196,814
Head Start Cluster:				
Head Start	93.600			3,291,022
COVID-19/ ARP/CRRSA - Head Start Supplement	93.600			195,216
Subtotal Head Start Cluster				<u>3,486,238</u>
Total U.S. Department of Health and Human Services			\$	<u>3,683,052</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass-Through Government of Guam - Department of Administration:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	778904292		36,971
Total U.S. Department of Homeland Security			\$	<u>36,971</u>
Total Federal Awards Expended			\$ <u>1,162,205</u>	\$ <u>163,501,710</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

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, 2022. 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 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.

6. Assistance Listing Number 84.425A

Expenditures for ALN 84.425A in the amount of \$2,450,637 were previously reported in GDOE's General Fund and have been included in the Schedule for the purpose of reporting that such expenditures were funded by the COVID-19, Education Stabilization Fund – State Agency Educational Agency (Outlying Areas) (ESF-SEA).

7. Subsequent Event – Assistance Listing Number 84.425A

On August 30, 2023, GDOE requested to transfer utilities expenditures (power and water) from the ARP-OA SEA funds to ESF II – SEA funds. On September 22, 2023, ED deemed the request to transfer of \$38.7 million in utility expenditures as an allowable expense for ESF II SEA. As such, GDOE transferred \$18,862,225 utility expenditures incurred for FY22 from the ARP-OA SEA funds to ESF II – SEA funds.

8. Assistance Listing Number 97.036

Expenditures for ALN 97.036 in the amount of \$36,971 were previously reported in GDOE's General Fund and have been included in the Schedule for the purpose of reporting that such expenditures were funded by the U.S. Department of Homeland Security.

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

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements

Year Ended September 30, 2022

	<u>Expenditures</u>
Federal contributions, as reported in the 2022 financial statements:	
Federal Grants Assistance Fund expenditures	\$ 160,469,390
Other financing uses: Transfers out	<u>2,450,637</u>
	162,920,027
 Assistance Listings Programs Reported in General Fund Expenditures:	
12.U01 Army JROTC	306,137
12.U02 Air Force JROTC	237,290
12.U03 Marine JROTC	1,285
97.036 Disaster Assistance – Public Assistance	<u>36,971</u>
 Total Federal Expenditures Subject to Audit	 <u>\$163,501,710</u>

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

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

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?

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

Noncompliance material to financial statements noted?

 X **Yes** **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:

Unmodified

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>
	Special Education Cluster (IDEA):
84.027	Special Education – Grants to States
84.181	Special Education - Grants for Infants and Families
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)
84.425H	Education Stabilization Fund - Governors (Outlying Areas) (ESF - Governor)

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 Numbers</u>	<u>Requirement</u>
2022-001	Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable
2022-002	Financial Statement Close Process
2022-003	Loss Contingencies

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

Section III - Federal Award Findings and Questioned Costs

<u>ALN</u>	<u>Finding Numbers</u>	<u>Requirement</u>	<u>Questioned Cost</u>
84.027	2022-004	Period of Performance	\$ 1,835
84.027	2022-005	Procurement and Suspension and Debarment	---
84.181	2022-006	Period of Performance	---
84.181	2022-007	Procurement and Suspension and Debarment	---
84.403	2022-008	Procurement and Suspension and Debarment	---
84.425	2022-009	Activities Allowed or Unallowed	---
84.425	2022-010	Matching, Level of Effort, Earmarking	---
		Total Questioned Costs	\$ <u>1,835</u>

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-001

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:

- 1) Federal grants receivables and revenues were understated by approximately \$1.93 million. An audit adjustment was proposed to correct this misstatement.
- 2) Ten months after fiscal year end, \$2.1M or 9% of amounts due from the Third-Party Fiduciary Agent (TPFA), remain uncollected. An audit adjustment was proposed to write off \$1.8M and has been included in the summary of uncorrected misstatements.
- 3) Expenditures and accounts payable related to federal awards managed by the TPFA were understated by approximately \$652 thousand. The effect of this transaction on revenues and federal grants receivables is also included in Condition 1 above. An audit adjustment was proposed to correct this misstatement.
- 4) A final Schedule of Federal Expenditures and Federal Awards (SEFA) was provided on October 15, 2023, over 12 months after fiscal year end to reclassify \$21.3M from ALN 84.425X to ALN 84.425A.

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

Finding No.: 2022-001, continued

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

Cause:

GDOE does not have a process to appropriately identify specific, outstanding federal grants receivables, revenues and amounts estimated to be uncollectible federal grants receivables.

US Ed grant expenditures, other than travel and payroll, administered by the TPFA are recorded on a cash basis and in a separate accounting system. A manual process is required to reconcile the cash basis transactions of the TPFA to GDOE's accrual basis for financial reporting.

GDOE does not have sufficient and trained personnel to complete these reconciliations on at least a quarterly basis.

Effect:

Required adjustments to federal grants receivables may not be identified by GDOE's internal controls.

Corresponding federal grant expenditures recorded by TPFA may not be recorded in GDOE's financial statements.

Federal grants receivables may include uncollectible amounts.

Interfund balances arising from reimbursement-type grants may need to be reduced based on estimated uncollectible federal grants receivables.

Recommendation:

GDOE management should consider developing a process to identify outstanding receivable balances at year end by federal award. Management should consider ensuring sufficient and trained individuals are assigned to manage federal grants receivables.

GDOE management should 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.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-001, continued

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

Views of Responsible Officials:

GDOE agrees with the finding. In accordance with GDOE SOP 200-044, an assigned accountant will provide timely reports and monthly and quarterly reconciliations between the general ledger accounts, the SEFA, the SEFRAD, subsidiary accounts, and the USDOE Grants Management System (G5), Payment Management System (PMS), Automated Standard Application for Payments (ASAP) and other utilized grants management systems. Additionally, GDOE was successful in transitioning off the TPFA system as of April 2023 which eliminated the additional reconciliations between the TPFA's cash basis of accounting.

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-002

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.

Condition:

- 1) Liabilities related to financed purchases of schools were overstated by approximately \$8.27 million based on the corresponding amortization schedules.
- 2) Net pension liability was overstated by approximately \$88.06 million based on the schedule of employer allocations and schedule of pension amounts by employer for the measurement period ended September 30, 2021.
- 3) Amounts paid by Government of Guam on behalf of GDOE amounting to approximately \$11.99 million 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.

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

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-002, continued
Area: Financial Statement Close Process

Condition, continued:

Additionally, eight months after fiscal year end, reconciliations were still ongoing. On June 6, 2023, a total of 86 post-closing entries were provided to reconcile and close old outstanding subsidiary accounts. On July 6, 2023, an additional 12 entries were provided.

Cause:

There is an absence of sufficient personnel to monitor and review the accuracy and completeness of recorded transactions during the year-end closing process and to comply with SOP 200-034.

Effect:

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

Recommendation:

GDOE management should consider employing more personnel to monitor and review the accuracy and completeness of recorded transactions at each closing period.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE was transitioning off the TPFA's responsibilities and system; and transitioning in a new Comptroller who took the initiative to review and reconcile liabilities which resulted in time delays and a significant number of adjusting entries.

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-003
Area: Loss Contingencies

Criteria:

GDOE SOP 200-22 requires stale-dated checks to be voided after six months from the date of issuance. Reissuance and disposition of stale-dated checks shall be made upon completion of reasonable efforts to notify the payees.

2 CFR 200.346 provides that any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government.

GASB Cod. C50.156 *Claims and Judgments* states that a loss contingency should be accrued if information available prior to issuance of the financial statements indicates that it is probable a liability had been incurred at the date of the financial statements and the amount can be measured reliably.

Condition:

Accounts payable includes \$115,592 of stale-dated checks aged four years or older. These checks pertain to federally funded payroll expenditures. No correcting adjustment was proposed or recorded as the amount was not considered material to the financial statements.

GDOE is not compliant with SOP 200-22.

Cause:

GDOE lacks sufficient personnel to comply with SOP 200-22 on the reissuance and disposition of stale-dated checks.

Effect:

A loss contingency exists whereby GDOE may be required to pay the grantors an amount totaling \$115,592, which is the excess, unliquidated federal funding at year end.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-003, continued

Area: Loss Contingencies

Recommendation:

GDOE management should enforce implementation of SOP 200-22.

Additionally, stale-dated checks for federally funded expenditures should be assessed for potential contingencies that may require accrual as of the given financial reporting period. GDOE should consider employing more personnel to monitor and review the completeness and accuracy of recorded transactions at each closing period.

Views of Responsible Officials:

GDOE agrees with the finding. GDOE has established SOP 200-022 which requires that all stale dated checks be voided six months or older from date of issuance. In FY23, GDOE initiated a process for the reissuance of all stale dated checks in accordance with the law and established SOPs.

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-004
 Federal Agency: U.S. Department of Education
 AL Program: 84.027 Special Education – Grants to States
 Area: Period of Performance
 Questioned Costs: \$1,835

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.

Conditions:

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
H027A190013	09/30/2021	Payroll for 03/2022 – 09/2022	\$ 74,283

No questioned cost is reported because GDOE subsequently provided journal entry JNL 37, reversing the costs from Grant Year 2019 and appropriately charging Grant Year 2020.

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
H027A190013	01/28/2022	02/15/2022	\$ 161
H027A200013	01/28/2023	01/29/2023	<u>1,835</u>
			\$ <u>1,996</u>

No questioned cost is reported for \$161 because GDOE subsequently provided journal entry JNL 39, reversing the costs from Grant Year 2019 and appropriately charging Grant Year 2020.

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.: 2022-004, continued
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education – Grants to States
Area: Period of Performance
Questioned Costs: \$1,835

Effect:

GDOE is in noncompliance with applicable period of performance requirements. Reportable questioned costs total \$1,835 from Condition 2.

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. During the period of performance in question, the TPFA issued check no. 2012949 to a vendor in February 2022, within the liquidation period. However, the TPFA indicated that the vendor lost the check and the TPFA re-issued payment to the vendor on January 29, 2023. The untimely reissuance of the check resulted in the transaction occurring one day after the liquidation period expired.

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-005
 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

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 9 (or 53%) of 17 purchase orders (POs), no Byrd Anti-Lobbying certification was provided, as follows:

	Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2022 Expenditures
1.	H027A190013	20201069	10560	\$ 232,208	\$ 67,963
2.	H027A190013	20201401	80484	\$ 200,000	\$ 13,612
	H027A200013	20201401	80484	\$ 200,000	\$ 81,953
3.	H027A190013	20210278	11410	\$ 100,000	\$ 14,656
4.	H027A200013	20212239	80484	\$ 300,000	\$ 19,798
	H027A210013	20212239	80484	\$ 300,000	\$ 34,645
5.	H027A200013	20212411	80484	\$ 200,000	\$ 66,840
	H027A210013	20212411	80484	\$ 200,000	\$ 64,603
6.	H027A200013	20212417	80677	\$ 135,000	\$ 113,169
7.	H027A200013	20212484	10560	\$ 232,308	\$ 79,568
8.	H027A180013	20213366	10157	\$ 107,117	\$ 3,668
	H027A190013	20213366	10157	\$ 107,117	\$ 40,352
	H027A190013	20213366	10157	\$ 107,117	\$ 63,097
9.	H027A200013	20214553	80531	\$ 114,802	\$ 72,078

Cause:

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

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-005, 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

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 10/13/2023, GDOE effected partial corrective action by obtaining the required certification for PO 20213366.

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. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-006
Federal Agency: U.S. Department of Education
AL Program: 84.181 Special Education – Grants for Infants and Families
Area: Period of Performance
Questioned Costs: \$0

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.

Condition:

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
H181A190008	09/30/2021	Payroll for 10/2021 – 04/2022	\$ 32,496

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. No questioned cost is reported because GDOE subsequently provided journal entry JNL 38, reversing the costs from Grant Year 2019 and appropriately charging Grant Year 2020.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable period of performance requirements. Prior to charging costs to 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. In GDOE’s Munis system, if the Human Resources (HR) pay records are not accurately updated, GDOE payroll will reflect dated pay tables until such time HR makes the appropriate updates based on the project leads request to update accounts to current grant year. GDOE corrected the improperly charged payroll expenditures to the proper grant year via the journal voucher process.

GDOE’s Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-007
Federal Agency: U.S. Department of Education
AL Program: 84.181 Special Education - Grants for Infants and Families
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 12%) of 17 purchase orders (POs), no Byrd Anti-Lobbying certification was provided, as follows:

Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2022 Expenditures
H181A200008	20212488	10560	\$ 149,987	\$ 44,190
H181A200008	20220064		\$ 145,000	\$ 1,644

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.: 2022-007, continued
Federal Agency: U.S. Department of Education
AL Program: 84.181 Special Education - Grants for Infants and Families
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. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-008
 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

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 15 (or 60%) of 25 purchase orders (POs), no Byrd Anti-Lobbying certification was provided, as follows:

	Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2022 Expenditures
1.	S403A200002	407	10142	\$ 713,822	\$ 641,698
	S403A210002	407	10142	\$ 713,822	\$ 40,265
2.	S403A200002	20212177	10560	\$ 361,534	\$ 291,594
3.	S403A200002	20213309	80163	\$ 105,316	\$ 105,316
4.	S403A210002	20222192	22352	\$ 162,000	\$ 162,000
5.	S403A200002	20210001	11209	\$ 614,655	\$ 71,712
	S403A210002	20210001	11209	\$ 614,655	\$ 110,087
6.	S403A180002	20210713	10157	\$ 320,452	\$ 320,452
7.	S403A180002	20211301	10157	\$ 2,313,932	\$ 628,475
	S403A190002	20211301	10157	\$ 2,313,932	\$ 1,685,457
8.	S403A190002	20211376	10157	\$ 1,802,048	\$ 27,720
	S403A200002	20211376	10157	\$ 1,802,048	\$ 307,085
9.	S403A180002	20211601	10113	\$ 456,950	\$ 92,950
	S403A190002	20211601	10113	\$ 456,950	\$ 342,550
10.	S403A190002	20211630	10373	\$ 684,970	\$ 574,896
11.	S403A190002	20211671	11209	\$ 151,936	\$ 30,746
12.	S403A190002	20212012	10157	\$ 8,747,526	\$ 599,396
13.	S403A200002	20212427	19001	\$ 1,192,395	\$ 1,192,395

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-008, 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:

	Federal Award No.	PO No.	Contractor No.	PO Amount	FY 2022 Expenditures
14.	S403A200002	20214542	19000	\$ 140,627	\$ 51,026
	S403A210002	20214542	19000	\$ 140,627	\$ 89,601
15.	S403A200002	20221094	10157	\$ 402,150	\$ 401,384
	S403A210002	20221094	10157	\$ 402,150	\$ 766

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, from 10/13/2023 through 10/18/2023, GDOE effected partial corrective action by obtaining the required certifications from contractors for item numbers 5 through 15.

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. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

GDOE's Corrective Action Plan includes additional details.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-009
 Federal Agency: U.S. Department of Education (ED)
 AL Program: 84.425 Education Stabilization Fund
 ED Subprogram: 84.425X American Rescue Plan – State Agency Educational Agency
 (Outlying Areas) (ARP-OA SEA)
 Federal Award No.: COVID-19 S425X210003
 Area: Activities Allowed or Unallowed
 Questioned Costs: \$0

Criteria:

In accordance with applicable activities allowed or unallowed requirements, the Outlying Areas must ensure that expenditures under ARP-OA-SEA are consistent with the grant conditions, including U.S. Department of Education’s approval to charge school-based utilities only for the period from August 2021 through May 2022 and July 2022 through September 2023.

Conditions:

For one (or 3%) out of 33 transactions tested, aggregating \$20.1 million of \$68.8 million in total non-payroll Program expenditures, utility costs for the month of June 2022 were charged to the Program. No grantor approval for June 2022 was provided.

Date	Check No.	Vendor	Invoice Period	Amount	June Allocation
08/31/2022	2013941	GPA	June 2022	\$ 7,061	\$ 7,061
09/30/2022	GWA-J	GWA	06/2022 through 09/2022	\$ 29,670	\$ 7,418

The total utility cost for June 2022 is \$1,828,677.

Cause:

GDOE did not enforce monitoring controls over compliance with applicable activities allowed or unallowed requirements.

Effect:

GDOE is in noncompliance with applicable activities allowed or unallowed requirements. No questioned cost is reported because subsequently on September 22, 2023, GDOE obtained an email confirmation from a U.S. ED Education Program Specialist, confirming that “the power and water expenditures GDOE incurred...is [sic] an allowable expense for ESF II-SEA” (i.e., ALN 84.425A). GDOE subsequently provided journal entries JNL 34 and JNL 40, transferring the utilities expenditures from ALN 84.425X to ALN 84.425A.

Identified as a Repeat Finding: 2021-003

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-009, continued
Federal Agency: U.S. Department of Education (ED)
AL Program: 84.425 Education Stabilization Fund
ED Subprogram: 84.425X American Rescue Plan – State Agency Educational Agency
(Outlying Areas) (ARP-OA SEA)
Federal Award No.: COVID-19 S425X210003
Questioned Costs: \$0
Area: Activities Allowed or Unallowed

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable activities allowed or unallowed requirements. Prior to charging costs to a Federal award, responsible personnel should verify that the cost is consistent with specific grantor approvals.

Views of Responsible Officials:

The GDOE disagrees with the finding. Utilities (power and water) are an allowable cost allowing the maximization for a safe return of students to the classroom, and necessary for continued operation and promoting handwashing techniques to prepare, prevent, and respond to COVID-19. USEd FAQ B-10 specifically states that "Generally, ESF-SEA or ESF Governor funds may be used to support activities that are necessary to maintain the operation and continuity of services in the SEA or LEA as schools and students recover from the pandemic." Additionally, GDOE sought grantor approval and USEd approved the allowability of utility expense under the ARP, and more recently deemed the transfer of utility costs from the ARP to ESF as an allowable expense.

Auditor Response:

Grantor approval of the utility costs for June 2022 was not on file, whereas grantor approval was obtained specifically for all other months in FY 2022. Further, we acknowledge that US ED deemed utility costs allowable under ALN 84.425A ESF-SEA; however, this finding is for utility costs initially charged to ALN 84.425X ARP-OA SEA as of September 30, 2022.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-010
 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.

Condition:

GDOE’s maintenance of effort for FY 2022 appears deficient, as follows:

FY 2022 Outlying Area Actual Spending	\$ 920,748,183
Baseline percentage	29.8%
Required Outlying Area MOE	<u>\$ 274,382,959</u>
FY 2022 Outlying Area State Support (26.3%)	<u>\$ 242,050,352</u>
Deficient Outlying Area MOE	<u>\$ 32,332,607</u>
ALN 84.425A FY 2022 Expenditures	\$ 65,678,120
Deficient MOE percentage (29.8% - 26.3%)	<u>3.5%</u>
Projected GDOE MOE deficiency	<u>\$ 2,298,734</u>

Based on our reading of email communications from U.S. ED, Education Program Specialist, Insular Areas, on August 9, 2023, we noted that GDOE’s Maintenance of Effort Data report is under U.S. ED’s review. U.S. ED identified differences between levels of support reported by GDOE and by Guam Office of the Governor. In GDOE’s report to U.S. ED, GDOE reported a projected deficiency in MOE levels for FY 2022.

Cause:

GDOE did not enforce monitoring controls over compliance with applicable matching, level of effort, earmarking requirements relative to 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.: 2022-010, 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

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 reported because GDOE is in the process of addressing differences identified by U.S. ED, and we are unable to quantify the known deficiency.

Recommendation:

Responsible personnel should enforce monitoring controls over compliance with applicable matching, level of effort, earmarking requirements relative to maintenance of effort requirements. Prior to submitting the required Maintenance of Effort data report to U.S. ED, responsible personnel should work in close liaison with Government of Guam and verify that the reported amounts are consistent with the state’s overall levels.

Views of Responsible Officials:

The GDOE disagrees with the finding. GDOE does not meet the definition of a State, nor does GDOE control the direct funding support (appropriations) for elementary and secondary education; or higher education. GDOE can only provide its calculation based on the projected levels of support (for elementary and secondary education) utilizing the formula guidance on MOE calculations issued by USEd. The calculation is based on appropriation levels provided by the Guam Legislature. Additionally, the figures calculated for FY22 are preliminary until the audited financials are provided for final submission of MOE data. Preliminarily, GDOE calculated the OA maintenance of effort to fall short by less than 1%.

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

Schedule of Findings and Questioned Costs, Continued

Finding No.: 2022-010, 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

Auditor Response:

We acknowledge that audited financial data from the Government of Guam is not available to derive an exact amount; however, there appears to be general agreement that GDOE’s estimated MOE for FY 2022 falls short of the required level.



**DEPARTMENT OF EDUCATION
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K. ERIK SWANSON PH. D
Superintendent of Education

Guam Department of Education
Corrective Action Plan
Year Ended September 30, 2022

Finding No.: 2022-001
Area: Federal Grants Fund Receivables, Revenues, Expenditures and Accounts Payable

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. In accordance with GDOE SOP 200-044, an assigned accountant will provide timely reports and monthly and quarterly reconciliations between the general ledger accounts, the SEFA, the SEFRAD, subsidiary accounts, and the USDOE Grants Management System (G5), Payment Management System (PMS), Automated Standard Application for Payments (ASAP) and other utilized grants management systems.

Additionally, GDOE was successful in transitioning off the TPFA system as of April 2023 which eliminated the additional reconciliations between the TPFA's cash basis of accounting.

Plan of action and completion date:

SOPs will be updated to establish timelines for the SEFA and adjusting entries to be provided.

There is a new process in place for accountants to use standard journal entry templates and attach appropriate supporting documentation. The Business Office also established General Ledger account reconciliation templates and a month-end closing checklist where the assigned accountants work is routinely reviewed by the Comptroller and reported to the Deputy Superintendent of Finance and Administrative Services. The month-end closing procedure will allow GDOE to catch discrepancies before the month-end closing.

Plan to monitor and responsible officials:

The GDOE Comptroller (vacant) will assign an accountant to provide monthly/quarterly reconciliations between the general ledger accounts, the SEFA, the SEFRAD, subsidiary ledger accounts, and the USDOE Grants Management System (G5) or other grant management systems.

Additionally, GDOE anticipates the removal of the specific condition requiring the TPFA. Moving forward, the Internal Audit Office (IAO) will provide monthly monitoring reports on grant status.

Finding No.: 2022-002
Area: Financial Statement Close Process

Views of Auditee and Corrective Actions:

Guam Department of Education
Corrective Action Plan
Year Ended September 30, 2022

GDOE agrees with the finding. GDOE was transitioning off the TPFA's responsibilities and system; and transitioning in a new Comptroller who took the initiative to review and reconcile liabilities which resulted in time delays and a significant number of adjusting entries.

Plan of action and completion date:

The GDOE Comptroller will assign an accountant to timely and accurately record current year amortization for GDOE lease schools. The Comptroller will also assign an accountant to properly account for pension liability based on actuary report for pension.

Plan to monitor and responsible officials:

The Deputy of Finance and Administrative Services, Joann Camacho, as well as the GDOE Comptroller (vacant), will be responsible for ensuring that all liabilities are properly recorded in a timely manner. Additionally, the GDOE IAO will assign an auditor to conduct financial monitoring of local and federal funds.

Finding No.: 2022-003
Area: Loss Contingencies

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE has established SOP 200-022 which requires that all stale dated checks be voided six months or older from date of issuance. In FY23, GDOE initiated a process for the reissuance of all stale dated checks in accordance with the law and established SOPs.

Plan of action and completion date:

GDOE will update its SOPs to include additional procedures for handling unclaimed checks. Procedures will include timelines for notifying recipients before disposing of stale-dated checks; and a process for returning the payments for federally funded stale dated checks to grantors. GDOE had initiated the issuance of the stale dated checks and anticipates all outstanding balances will be cleared by December 31, 2023.

Plan to monitor and responsible officials:

The GDOE Comptroller (vacant) will assign an accountant to maintain a log of checks and communications to payees. The assigned staff will provide a status report on outstanding checks to the Comptroller on a quarterly basis. Additionally, the Comptroller will update relevant SOPs as appropriate.

Finding No.: 2022-004
Federal Agency: U.S. Department of Education
AL Program: 84.027 Special Education – Grants to States
Area: Period of Performance
Questioned Costs: \$1,835

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. During the period of performance in question, the TPFA issued check no. 2012949 to a vendor in February 2022, within the liquidation period. However, the TPFA

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indicated that the vendor lost the check and the TPFA re-issued payment to the vendor on January 29, 2023. The untimely reissuance of the check resulted in the transaction occurring one day after the liquidation period expired.

Plan of action and completion date:

As of April 2023, the TPFA has not been issuing checks to vendors, as the responsibility was returned to the GDOE to process all fiscal transactions within the GDOE Munis. The Business Office will closely monitor grant liquidation dates and payments to vendors. SOPs will be reviewed to update the procedures for monitoring grant period of performance.

Plan to monitor and responsible officials:

The Deputy of Finance and Administrative Services, Joann Camacho, as well as the GDOE Comptroller (vacant), will assign an accountant to monitor the expenditures of federal grants and the corresponding periods of performance and liquidation periods.

Finding No.: 2022-005
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

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

Plan of action and completion date:

GDOE will update its SOPs and immediately require the Byrd Anti-Lobbying Amendment certification as part of vendor bid packets that are expected to exceed \$100,000.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will assign a Buyer to monitor the procurement records to ensure all applicable provisions are adhered to. Additionally, the IAO will audit formal procurements to determine that the required documents are included in the records.

Finding No.: 2022-006
Federal Agency: U.S. Department of Education
AL Program: 84.181 Special Education – Grants for Infants and Families
Area: Period of Performance
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. In GDOE's Munis system, if the Human Resources (HR) pay records are not accurately updated, GDOE payroll will reflect dated pay tables until such time HR makes the appropriate updates based on the project leads request to update accounts to current grant year.

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GDOE corrected the improperly charged payroll expenditures to the proper grant year via the journal voucher process.

Plan of action and completion date:

The GDOE Business Office 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.

Plan to monitor and responsible officials:

GDOE Comptroller (vacant), will assign an accountant to monitor the expenditures of federal grants and the corresponding periods of performance and liquidation periods. Grant Project Managers, Federal Compliance review team will be responsible for timely communicating any changes in grant year funding to HR.

Finding No.: 2022-007
Federal Agency: U.S. Department of Education
AL Program: 84.181 Special Education – Grants for Infants and Families
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

GDOE agrees with the finding. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

Plan of action and completion date:

GDOE will update its SOPs and immediately require the Byrd Anti-Lobbying Amendment certification as part of vendor bid packets that are expected to exceed \$100,000.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will assign a Buyer to monitor the procurement records to ensure all applicable provisions are adhered to. Additionally, the IAO will audit formal procurements to determine that the required documents are included in the records.

Finding No.: 2022-008
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:

GDOE agrees with the finding. GDOE included Byrd Anti-Lobbying Amendment as a provision of certain contracts, however the records were absent the required certification per 2 CFR Appendix-II-to-Part-200(I).

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GDOE's Supply Management Office, with the guidance of GDOE IAO, was able to subsequently confirm that vendors for 14 out of the 15 purchase orders complied with the anti-lobbying provision, therefore the finding was reduced.

Plan of action and completion date:

GDOE will update its SOPs and immediately require the Byrd Anti-Lobbying Amendment certification as part of vendor bid packets that are expected to exceed \$100,000.

Plan to monitor and responsible officials:

GDOE Supply Management Administrator, Carmen Charfauros, will assign a Buyer to monitor the procurement records to ensure all applicable provisions are adhered to. Additionally, the IAO will audit formal procurements to determine that the required documents are included in the records.

Finding No.: 2022-009
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund

AL Sub-Program: 84.425X American Rescue Plan – State Agency Educational Agency (Outlying Areas) (ESF-SEA)
Federal Award No.: COVID-19 S425X210003
Area: Activities Allowed or Unallowed
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

The GDOE disagrees with the finding. Utilities (power and water) are an allowable cost allowing the maximization for a safe return of students to the classroom, and necessary for continued operation and promoting handwashing techniques to prepare, prevent, and respond to COVID-19. USEd FAQ B-10 specifically states that "Generally, ESF-SEA or ESF Governor funds may be used to support activities that are necessary to maintain the operation and continuity of services in the SEA or LEA as schools and students recover from the pandemic." Additionally, GDOE sought grantor approval and USEd approved the allowability of utility expense under the ARP, and more recently deemed the transfer of utility costs from the ARP to ESF as an allowable expense.

Finding No.: 2022-010
Federal Agency: U.S. Department of Education
AL Program: 84.425 Education Stabilization Fund
AL Sub-Program: 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 Auditee and Corrective Actions:

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The GDOE disagrees with the finding. GDOE does not meet the definition of a State, nor does GDOE control the direct funding support (appropriations) for elementary and secondary education; or higher education. GDOE can only provide its calculation based on the projected levels of support (for elementary and secondary education) utilizing the formula guidance on MOE calculations issued by USEd. The calculation is based on appropriation levels provided by the Guam Legislature.

Additionally, the figures calculated for FY22 are preliminary until the audited financials are provided for final submission of MOE data. Preliminarily, GDOE calculated the OA maintenance of effort to fall short by less than 1%.



K. ERIK SWANSON, PH.D.
Acting Superintendent of Education

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**FRANKLIN
COOPER-NURSE**
Chief Internal Auditor

**Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2022**

Finding Number	Assistance Listing Number	Area	Questioned Cost	Status
2017-001	-	Reporting	\$ -	Corrective action ongoing. Standard Operating Procedures (SOP) 200-007 is pending an update.
2019 -001	12.000	Procurement and Suspension and Debarment	\$ -	Pending Program Determination Letter from the U.S. Department of Defense. Corrective action ongoing. Financial Affairs is reviewing SOP 200-021 Off-Island Travel for updates.
2019 -002	12.000	Special Tests and Provisions	\$ -	Pending Program Determination Letter from the U.S. Department of Defense. Corrective action ongoing.
2020 -001	15.875	Equipment and Real Property Management Capital Assets	\$ -	Pending Program Determination Letter from the U.S. Department of Interior. Corrective action ongoing.
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. Corrective action on going.
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 action ongoing. Financial Affairs is reviewing SOP 200-022 for updates.
2021-003	84.425X	Activities Allowed or Unallowed	\$1,342,420	Pending Program Determination Letter from ED.
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 conducted an investigative audit.