

Management Letter

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

Year Ended September 30, 2022





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Dr. Kenneth Swanson
Superintendent
Guam Department of Education
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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, 2022, in accordance with auditing standards generally accepted in the United States of America, 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:

School Activity Funds

Comment: GDOE's School Activities Funds are recorded within the financial management information system (Munis system), which allows the Internal Audit Office (IAO) to access and monitor transactional activities. It is expected that issues with administering NAF will continue to be identified by IAO due to the inherent risk of cash-related transactions and the level of expertise required for handling of funds.

School Activity Funds, continued

The following exceptions were identified by the IAO for the school year 2021-2022:

- 1) Opening balances did not reconcile to prior year ending balances for 32 of 41 schools noting a total of \$81,411 of receipts and \$27,060 of disbursements were not reported in the correct period.
- 2) For six of seven schools tested, four bank statements identified fewer deposits than recorded receipts amounting to \$33,174 while two bank statements identified higher deposits than recorded amounting to \$2,485. This indicates that cash collections were not posted in the correct period and accurately entered in the system.
- 3) Of the 107 receipts tested aggregating \$84,620, certain transactions did not meet NAF documentation requirements:
 - a) 27 receipts aggregating \$26,427 were not timely deposited (exceeding two business days).
 - b) 10 receipts aggregating \$10,742 did not indicated the “received date” on the count sheet which made it impossible to verify the timeliness of deposits.
 - c) 9 receipts aggregating \$5,898 had missing files.
 - d) 4 receipts aggregating \$3,844 had incomplete cash count sheet.
 - e) 1 receipt for \$985 had incomplete cash count sheet and was not timely deposited.
- 4) Of the 102 disbursements tested aggregating \$65,560, certain transactions did not meet NAF documentation requirements:
 - a) 17 disbursements aggregating \$22,297, had missing price quotes.
 - b) 13 disbursements aggregating \$4,428 had no receipts attached.
 - c) 13 disbursements aggregating \$3,368 had missing files.
 - d) 8 disbursements aggregating \$7,193 did not meet price quote requirements and did not have attached receipts
 - e) 3 disbursements aggregating \$315 were spent for prohibited expenditure.
 - f) 2 disbursements aggregating \$1,548 had incomplete voucher form and did not meet price quote requirements.
 - g) 2 disbursements aggregating \$447 were used for merchandise outside of the school's benefit/school improvement.
 - h) 1 disbursement for \$2,500 had incomplete voucher form, did not meet price quote requirements, and did not have a receipt attached.

Recommendation: We recommend GDOE continue to monitor these accounts and continually provide education relative to the adequacy of disbursement documentation, preparation of receipts, timely bank deposits and performance of periodic bank reconciliations.

Accounts Payable

Comment 1: As of September 30, 2022, accounts payable included an overstatement of \$420K for vendor #s 30255 and 30254. Reconciliations by GDOE management with vendor statements are ongoing. As this amount was not considered material to the financial statements, no audit adjustments were proposed.

Comment 2: Invoices related to bus services totaling \$1.445M (Ref. #s B021-045 to 084 and B022-21 to 060) were not accrued, which included \$909K related to FY 2021. As this amount was not considered material to the financial statements, no audit adjustments were proposed.

Recommendation: We recommend GDOE management establish internal control policies and procedures requiring reconciliation with significant vendors be performed on a periodic basis. Additionally, we recommend invoices related to student bus services be timely recorded or accrued.

Capital Assets

Comment 1: Capital leased buildings for certain schools, warehouses and offices were over depreciated by a total of \$1.9M. As this amount was not considered material to the financial statements, no audit adjustments were proposed.

Comment 2: Capital asset depreciation expense and accumulated depreciation should reconcile with subsidiary records. A post-closing entry for \$31,132 was provided by GDOE management to correct this variance.

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

This communication is intended solely for the information and use of management and the Guam Education Board of the Guam Department of Education, 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 please to discuss the above matter or to respond to any questions, at your convenience.

Ernst + Young LLP