

**Guam Public School System
Procurement of Construction and Air-Conditioning**

**Performance Audit
October 1, 2002 through September 30, 2006**

**OPA Report No. 08-04
June 2008**



OFFICE OF THE PUBLIC AUDITOR

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OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Guam Public School System

Procurement of Construction and Air-Conditioning

Report No. 08-04, June 2008

The Guam Public School System (GPSS) is authorized to procure goods and services outside of the General Services Agency (GSA) pursuant to Title 5 Guam Code Annotated (GCA) §5125, but remains subject to Guam procurement law. From FY 2003 through FY 2006, GPSS issued 718 purchase orders (PO) totaling \$13.2 million (M) to air-conditioning and construction vendors. During the same period, 35 vendors were paid \$11.1M for goods and services related to air-conditioning and construction projects.

The GPSS procurement office did not award construction and air-conditioning contracts in accordance with Guam Procurement Law. Emergency procurement was used excessively and unnecessarily for non-emergencies. Additionally, purchase orders were artificially divided to remain within the small purchases range and procurements were poorly documented. These substandard procurement practices occurred because of the lack of appropriate separation of duties and monitoring and inadequately trained staff. In nearly three-fourths (totaling \$2,101,688) of the 26 POs tested, we found no evidence of delivery or performance inspections independent of the Procurement Division.

Lack of Appropriate Separation of Duties

Responsibility for GPSS procurement rests solely with the Supply Administrator, who also serves as head of the Procurement Division. As such, the Supply Administrator approves and authorizes purchase requests, inspects purchase deliveries or contract performance, and submits requests for payment. The performance of certain incompatible duties by one individual increases the risk of purchasing substandard goods and services and set the stage for procurement abuse. Without the appropriate separation of these duties, there are no checks and balances to ensure that purchases are made only for proper public purposes, procurement laws are followed, and the integrity of the procurement process is maintained.

Excessive and Unnecessary Use of Emergency Procurement

Of the 26 POs tested, 13 or half of the POs tested (totaling \$1,357,718) bypassed the normal competitive procurement process and were awarded via emergency procurement. Nine POs were for air conditioner maintenance, which is generally preventative in nature, and repairs. These services could have been procured through competitive bidding, providing all vendors an opportunity to submit quotes and compete for the contracts.

Seven of the POs tested were issued long after the 30-day emergency period allowed by law. For example:

- A PO for \$132,096 for roof repairs on a high school was issued 423 days after the Executive Order.
- Three POs for \$49,000 each for repairs and maintenance of air conditioners was issued 105 days after the certificate of emergency.

Artificial Division of POs

We also found that 46 POs issued to six vendors appeared to be divided artificially in order to remain within the small purchase threshold of \$15,000 for goods and \$50,000 for construction. These POs were issued within one or two days for identical work, thus avoiding the competitive bid process and required approvals. Related payments totaled \$843,222. Examples include:

- Six POs totaling \$99,869 (\$9,800, \$20,610, \$19,880, \$21,280, \$6,300, and \$21,999) were issued to a single vendor on the same day for school repairs.
- Five POs totaling \$50,100 (\$8,200, \$10,500, \$15,300, \$3,150, \$12,950) were issued to a single vendor on the same day for air-conditioning units.

The same-day issuance of multiple POs to single vendors appeared to be a means to bypass the School Recovery Task Force's required approvals for purchases over \$50,000.

Unjustified Use of Indefinite POs and POs Increased Significantly

'Indefinite quantity' POs were awarded without documented explanation as to why the normal procurement method did not suffice. These POs were increased as much as 140% and extended beyond the allowable 90 days. In addition, the amounts for six of the 26 POs tested were increased by as much as 211% from their original authorized amount.

Inefficient Procurement Processing and Insufficient Documentation

The sheer volume of procurement needs at GPSS requires some form of automation. The operation of the GPSS Procurement Office is largely manual and results in inefficiencies. We concur with the 2005 Financial Management Improvement Plan, which recommended automation. We also found files that lacked essential bid documentation to comply with law or to facilitate proper reviews of vendor awards.

Conclusion and Recommendations

Based on our review, we found \$2.9M in questionable procurement. We conclude that GPSS cannot effectively and efficiently process construction and air-conditioning procurements without significant improvements in internal control over procurement. Duties need to be better segregated and include others in the process, to provide verifiable inspections, secure proper approvals, and provide the checks and balances necessary to maintain integrity in the procurement process, reduce inappropriate procurements, and reduce findings and questioned costs. We recommend that GPSS automate its procurement process, establish written procedures to ensure appropriate separation of duties, continue periodic internal audits of the procurement function to ensure compliance to laws and regulations, and provided training to procurement staff. We also recommend that the GSA periodically monitor and provide oversight and review of procurements, and assist in providing appropriate training for GPSS Procurement staff.

The Superintendent of Education and the Chief Procurement Officer generally concurred with the audit findings and recommendations.



Doris Flores Brooks, CPA, CGFM
Public Auditor



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Introduction

This report presents the results of our performance audit of the Guam Public School System's (GPSS) procurement of construction and air-conditioning equipment and services from fiscal years (FY) 2003 through 2006. Our audit objective was to determine whether construction projects and air-conditioning equipment and services were procured in accordance with Guam's procurement laws. See Appendices 1 and 2 for the Classification of Monetary Impact and Questioned Cost Details. The scope, methodology, and prior audit coverage are discussed in Appendices 3 and 4.

Background

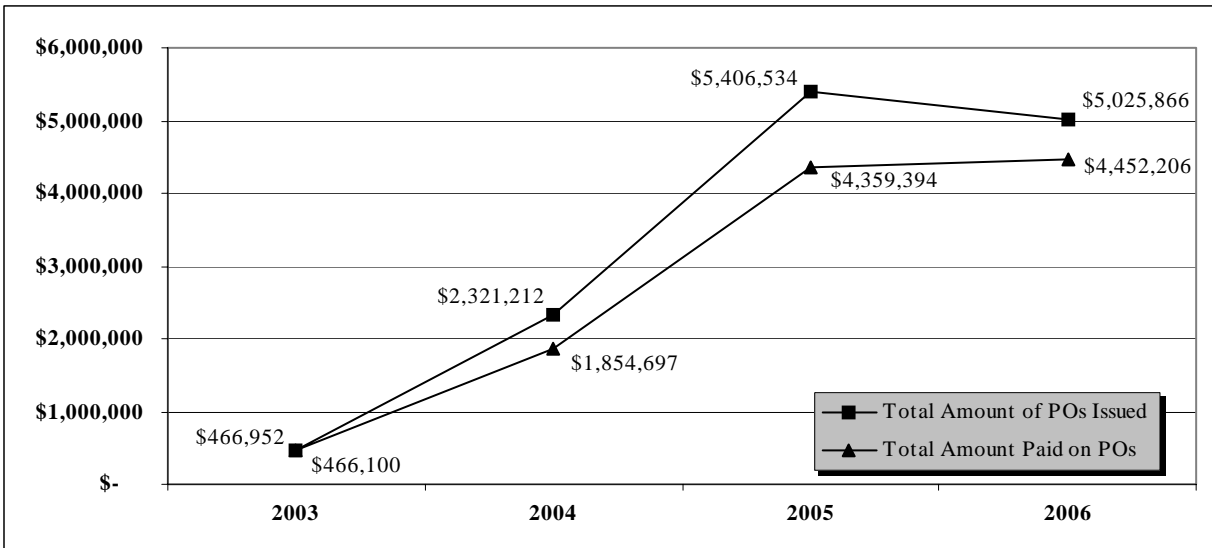
A line agency of the government of Guam, GPSS consists of 25 elementary schools, seven middle schools, four high schools, and one alternative school. Although school structures were partially air-conditioned, the "Every Child is Entitled to An Adequate Public Education Act," enacted by Public Law (PL) 28-45 in 2005, required school classrooms to be air-conditioned or properly ventilated to no greater than 78°F.

While subject to the procurement laws of the government of Guam, GPSS is authorized to procure goods and services outside of the General Services Agency (GSA), pursuant to Title 5 Guam Code Annotated (GCA) §5125.

Between fiscal years 2003 and 2006, GPSS issued 718 purchase orders (POs) totaling \$13,220,563 to construction and air-conditioning vendors. Of the amount awarded, \$11,132,397 has been paid out to 35 air-conditioning and construction vendors.¹ Air-conditioning and construction-related awards progressively increased from \$466,952 in FY 2003 to \$5,025,866 in FY 2006. See Chart 1.

¹ The vendors were identified by the Supply Management Administrator and confirmed by OPA through telephone listings. In addition to air-conditioning and construction, these vendors also provided maintenance services to GPSS that were included in our scope.

Chart 1: Total Amount of POs Issued and Amounts Paid on POs



The GPSS single audit reports from FY 2002 through FY 2006 identified 18 procurement-related findings resulting in questioned costs of \$1,526,104. In 1999, the Department of Interior Office of Inspector General identified one procurement-related finding with questioned costs of \$96,302.² The GPSS Internal Auditors also conducted a limited review of the GPSS Procurement Office and found that the procurement operations were antiquated and should be automated. They also found lack of specialty procurement training, lack of task organization, lack of internal controls and surveillance among other findings. See Appendix 4 for Prior Audit Coverage.

In 2005, GPSS formulated a Financial Management Improvement Plan (2005 FMIP) to improve its financial processes by outlining how internal control deficiencies, including procurement, would be addressed. However, the 2005 FMIP was not implemented due to lack of funding. See Appendix 5 for procurement-related excerpts from the 2005 FMIP.

² US DOI-OIG Audit Report No. 99-I-455 May 1999, Department of Education Extended Day Program

Results of Audit

From fiscal years 2003 through 2006, the GPSS Procurement Office did not award air-conditioning and construction contracts in accordance with Guam Procurement Law. Emergency procurement was used excessively and unnecessarily, and was poorly documented. Purchase orders appeared to be artificially divided to qualify as small purchases and avoid competitive bidding. These substandard procurement practices occurred because of non-separation of duties, the lack of monitoring, and inadequately trained staff. Although management's duties include providing staff with adequate training on local and federal procurement laws and best practices, this did not occur.

Lack of Appropriate Separation of Duties

Ideally, the responsibilities and duties for procurement should be distributed among budget, accounting, program, procurement, and legal staff, working as a team, to provide the necessary checks and balances to the procurement process. However, we found that the responsibility for GPSS procurement rested entirely with the Supply Administrator, as the Procurement Division head, without involvement or monitoring from other divisions. The Procurement Division approves and authorizes purchase requests, inspects the purchases or contract performance upon delivery, and submits the requests for payment. Without the appropriate separation of these duties, there are no checks and balances to ensure that procurement laws are followed and the integrity of the procurement process is maintained. This situation increases the risks for purchasing substandard goods and services and for procurement abuse.

Lack of Independent Inspections

We found no evidence of delivery or performance inspections independent of the Procurement Division in nearly three-fourths (totaling \$2,101,688) of the 26 POs tested. The standard notation on receiving documents signed and submitted by the Supply Administrator to the Business Office reads, "Our quality assurance staff have inspected the work performed, reviewed the invoice and determined that the work was completed satisfactory in conformance to the contract terms and conditions." However, the documents do not include evidence of such inspections.

An adequate system of checks and balances would have the school principal or some other authorized qualified person conduct the inspection and verify the Supply Administrator's certification of satisfactory delivery or performance. This would reduce the risk of potential collusion between the Supply Administrator or other inspectors and the vendors. In one of the POs tested, a school administrator refused to sign a field inspection report because leaks in a classroom were not completely repaired. Despite a missing inspection report, the GPSS Business Office processed payment to the vendor.

Excessive and Unnecessary Use of Emergency Procurement

An emergency is defined by 5GCA §5030 as:

“[A] condition posing an imminent threat to public health, welfare, or safety which could not have been foreseen through the use of reasonable and prudent management procedures, and which cannot be addressed by other procurement methods of source selection.”

Emergency procurement is limited to goods necessary to meet an emergency for the 30-day period immediately following the procurement.³

Of the 26 POs tested, 13 or half, totaling \$1,357,718, bypassed the normal competitive procurement process and was awarded via emergency procurement. Nine of the POs were for air-conditioner maintenance and generally preventative in nature. These services could have been procured through competitive bidding, providing all vendors an opportunity to submit quotes and compete for the contracts.

Guam Procurement Law states that emergency procurements “shall be made with such competition as is practicable under the circumstances, **and further provided that the procurement agent must solicit at least three (3) informal price quotations** (emphasis added)...” Three purchases did not have three price quotations. They are:

- \$125,268 for Southern High School cleaning, sanitizing and mildew removal.
- \$436,358 for Southern High School air-conditioning system.
- \$132,095 for Simon Sanchez roof repairs.

See Appendix 2(A) for details.

Over-extended Emergency Declarations

GPSS relied heavily on an outdated Certificate of Emergency, issued on July 23, 2004, to prepare schools for the August 2004 opening. We found that seven POs, totaling \$889,212, were awarded several months after the 30-day emergency period. Examples include:

- Three POs for \$49,000 each issued for the repair and maintenance of air-conditioners 105 days after the Certificate of Emergency.
- A PO for \$132,096 issued to repair a roof at Simon Sanchez issued 423 days after the Certificate of Emergency.

The seven POs should have gone through the competitive bidding process, because they were cut well after the emergency period. See Appendix 2(B) for a list of the POs issued after the emergency period.

³ In its response to OPA Report No.06-11, Government of Guam Emergency Executive Orders and Certificates of Emergency, October 2006, the Department of Administration stated that the 30-day limitation is the standard period and discourages abuse of emergency situations.

Artificial Division of POs

We reviewed 58 sequential POs totaling \$1,046,691 and found 46 POs appeared to be artificially divided into smaller portions in order to remain within the small purchase threshold of \$15,000 for goods and \$50,000 for construction and to avoid the required competitive sealed bids and approval process. These POs were for 11 procurements for identical work and were issued to six vendors within one or two days. Collectively, the purchases and work performed exceeded the small purchases threshold and should have been competitively procured. Payments on these artificially divided POs totaled \$843,222.

The following illustrates the apparent partitioning of POs to meet the small purchase threshold and avoid the normal competitive sealed bid process.⁴ See details in Appendix 2(C).

- **Seven POs**, for \$36,590, \$45,855, \$12,596, \$10,616, \$9,555, \$26,002, \$9,610, respectively, were issued to Vendor E for miscellaneous repairs at four schools. Three POs were issued on March 30, 2006 via an existing government contract. Four more were issued the following day. Total payments amounted to \$150,824.
- **Seven POs**, for \$10,000, \$15,250, \$5,000, \$31,104, \$14,000, \$23,450, and \$19,840, respectively, were issued on March 16, 2006 to Vendor F for the installation, replacement, and preventive maintenance of air-conditioning units at various schools. Two POs were issued under an existing government contract; the remaining five were issued via indefinite quantity bid. Total payments were \$118,644.
- **Six POs**, for \$9,800, \$20,610, \$19,880, \$21,280, \$6,300, and \$21,999, respectively, were issued on September 3, 2004 to Vendor L for miscellaneous repairs at six different schools. Payments totaled \$99,869.
- **Five Emergency Procurement POs**, for \$8,200, \$10,500, \$15,300, \$3,150, and \$12,950, respectively, were issued on July 27, 2004 to Vendor E for the purchase and installation of air-conditioning units for five schools. Payments totaled \$50,100.
- **Two POs**, for \$34,325 and \$41,950, respectively, were issued on December 15, 2005 to Vendor A for the construction of walkway canopies at two schools. Payments totaled \$76,275.

GPSS explained that multiple POs were issued because they were for particular schools and not for the system as a whole. The practice of dividing POs into smaller units circumvents the competitive bidding thresholds.

Unjustified Use of and Extension of Indefinite POs

The Guam Administrative Rules (GAR) defines an indefinite PO as one that provides “for an indefinite amount of supplies or services to be furnished at specified times, or as ordered, that establishes unit prices of a fixed-price type.” In order to maintain competition, indefinite

⁴ 2 GAR § 3111. Small purchase threshold for goods and services is \$15,000 and for construction it is \$50,000.

contracts cannot be used more than twice in a fiscal year or extended beyond 90 days.⁵ We identified two indefinite POs which did not comply with these prohibitions:

- An indefinite PO in the amount of \$200,000 was issued to Vendor F for air-conditioners. Four months later, the PO was increased to \$399,013 and extended for another year.
- Vendor E was issued a \$50,000 PO for preventive maintenance of cafeteria equipment. Two months later, the PO was increased to \$100,000 and again to \$120,000 for another two months.

Both POs were advertised initially, but the subsequent increases were not subjected to competition. Further, we found no evidence that the required work was evaluated after six months or before the POs were extended, and there were no justifications for the extensions. The rationale for using indefinite contracts over regular forms was not documented. See details in Appendix 2(D).

POs Increased Significantly

Guam's Procurement Law provides for modifications, change orders, or price adjustments to construction contracts, but specifies that any which exceed \$5,000:

... shall be subject to prior written certification by the fiscal officer of the entity responsible for funding the project or the contract, or other official responsible for monitoring and reporting upon the status of the costs of the total project budget or contract budget, as to the effect of the contract modification, change order, or adjustment in contract price on the total project budget or the total contract budget.

Of the 26 POs tested, we found that the contracts awarded for six increased significantly. The increases far exceeded the \$5,000 threshold and were certified, but were not adequately documented as to why they were necessary. The contract adjustments are as follows:

- Vendor B was issued a \$40,324 PO for mildew removal at Southern High School. The PO was increased by \$85,000, or 211%, to \$125,268.
- Vendor F was issued a \$200,000 PO for an indefinite quantity of air-conditioners. The PO was increased by \$199,013, or nearly 100%, to \$399,013.
- Vendor E was issued a PO for \$365,000 to design and build an air-conditioning system. The PO was increased by \$71,358, or 20%, to \$436,358.
- Vendor D was issued a PO for \$220,000 to remove and subsequently install a synthetic track. The PO was increased by \$64,675, or 29%, to \$284,675.
- Vendor E was issued a PO for \$100,000 to repair cafeteria equipment. The PO was increased by \$25,000, or 25%, to \$125,000.
- Vendor E was issued a PO for \$50,000 to maintain various cafeteria equipment. The PO was increased by \$70,000, or 140%, to \$120,000.

⁵ 2 GAR §3102(b) and 2 GAR §3119(i)(2).

Although the increases were certified, the reasons for the increases were not adequately documented in the procurement files. We found only one well-documented case for an increase: a \$581,000 PO, for earthquake repairs to a school, was adjusted by \$9,280 to \$590,280. The justification, certification of additional funds, and all other documents were complete in the procurement file.

Other Substandard Procurement Practices

Inefficient Procurement Processing

The sheer volume of procurement transactions processed by GPSS requires some form of automation for efficiency and effectiveness. The operation of the GPSS Procurement Office is largely manual and results in inefficiencies throughout the procurement process. One of the steps called for in the GPSS 2005 Financial Management Improvement Plan was to discontinue having to type the name and title of the Procurement Office on all purchase orders. By its own admission, GPSS acknowledged that it processes more than 20,000 PO forms and just typing the name and title takes the staff more than two months. The 2005 FMIP also noted that the department's Requests for Purchase Order (RPO) and POs are usually for hundreds of items, but are not numbered in a way that would allow procurement staff to double check data entries, find missing items, or easily determine the total number of items listed in the RPOs and POs. The 2005 FMIP attempted to address these control deficiencies, but lack of funding precluded its implementation. See Appendix 5 for procurement-related excerpts from the 2005 FMIP.

The GSA has automated the procurement process for executive branch line agencies thereby overcoming the obstacles GPSS continues to face. We recommend GPSS consult with GSA to automate its procurement process.

Procurement Records Not Adequately Documented

Guam law requires procurements be documented including the basis and authority for emergency purchases, and vendor selections. The files we examined did not contain essential bid documentation to prove compliance with applicable law or to facilitate proper financial management reviews. Some files were incomplete or missing entirely. Examples of documentation deficiencies include:

- GPSS could not produce the files for four POs, totaling of \$751,060, issued to one vendor in the amounts of \$377,861, \$49,000, \$224,189, and \$100,010, respectively.
- The procurement file for \$590,280 in total payments to one vendor for earthquake repairs did not contain:
 - The requisition order from a division head;
 - Invitation for bids (IFB) documents;
 - Documentation of public notification (i.e. copy of the printed announcement); and
 - The justification for vendor selection.
- The procurement file for \$125,000 in total payments for repairs of cafeteria equipment did not contain:
 - IFB-related documents;

- Documentation of public notification; and
 - The justification for the vendor selected.
- The procurement file for \$274,800 in total payments for the construction of classrooms did not contain:
 - The requisition order from a division head; and
 - Bid packages, although abstracts were kept in the file.
- The procurement file for \$149,430 in total payments for earthquake repairs did not contain bid packages, although abstracts were kept in the file.

We also found that the GPSS maintained a two-file system; one was kept by the Supply Administrator and the other by procurement personnel, neither of which was complete. Complete documentation of the entire procurement process is essential to sound management practice. A well-organized set of procurement files should contain all documentation, including any correspondence, and be organized to a standard that would allow for proper review and determination of fairness and lawful compliance. To preserve the integrity of the procurement process, we recommend GPSS devise one document management system and maintain backup files. See Appendix 6 for Guam Procurement Law: Procurement Records.

Outdated Procurement Regulations

While GPSS' procurement regulations make reference to, and conceptually mirror, GSA's procurement regulations, they have not been updated to reflect current laws, thus setting the stage for confusion and noncompliance. We recommend GPSS adopt GSA's procurement regulations.

Appendix 2(E) provides other examples of substandard procurement practices at GPSS.

Conclusion

Since FY 2002, an internal audit and each of the GPSS annual financial audits consistently cited procurement findings. GPSS has been unable to address them. The problems in air-conditioning and construction procurement are systemic. The lack of appropriate separation of duties, monitoring by other divisions, and training continue to thwart improvements. Involving others in the process, to conduct inspections and secure approvals can provide the checks and balances necessary to maintain integrity in the procurement process, reduce inappropriate procurement questioned costs, and preclude further findings.

In 2005, GPSS attempted to address its shortcomings by developing a Financial Management Improvement Plan (2005 FMIP). The 2005 FMIP included procurement issues and made recommendations for activities to resolve them. The 2005 FMIP also called for each school to develop its own Annual Maintenance Plan to include, among other things, its procurement needs. However, the 2005 FMIP was not brought to fruition because of lack of funding.

In this review, we found that the procurement function at GPSS was deficient, lacking appropriate separation of duties and effective oversight to ensure compliance with procurement laws and regulations. Given the consistent procurement findings in financial audits and those identified in our performance audit, the need for improved policies and procedures grows more essential. The updated policies and revamped procedures should ensure that requisitions, receiving reports, and inspection reports are prepared by authorized personnel independent of the procurement division. The business office should be responsible for ensuring all documentation is complete before payment is authorized.

Based on these findings, we have concluded that, without significant improvements in internal control over procurement, GPSS cannot be relied upon to effectively and efficiently process procurement of construction and air-conditioning for the schools. The General Services Agency should provide oversight, occasional monitoring and review, and assist in providing training to GPSS Procurement staff. In addition, the GPSS Internal Audit Division should continue periodic reviews of the procurement function to ensure compliance with applicable laws, rules, and regulations.

According to An Elected Official's Guide to Procurement, the fundamental objective of government procurement is to provide goods and services needed "in the right quality and quantity, on a timely basis, as efficiently as possible, and at the lowest overall cost."⁶ Further, "only a fully competitive process can meet the procurement objectives of openness, integrity, and equity." See Appendices 7 and 8 for internal control policies and procedures and other best practices.

⁶ Watt, P. An Elected Official's Guide to Procurement. Government Finance Officers Association of the United States and Canada. © 1995. p3

Recommendations

To the Guam Public School System:

1. Automate the procurement process with GSA's guidance and maintain backup files.
2. Maintain one procurement filing system that ensures files contain sufficient documentation to support the selection of the chosen vendor in accordance with laws and regulations.
3. Adopt the GSA procurement regulations to ensure reference to updated procurement regulations.
4. Establish written policies and procedures to ensure appropriate separation of duties for procurement activities and other procurement internal control activities.
5. Provide appropriate training to procurement staff.

To the Internal Audit Division of the Guam Public School System:

1. Continue to periodically monitor procurement activities to ensure appropriate checks and balances, compliance with applicable procurement laws and regulations, and provide reports to the Superintendent of Education.

To the Chief Procurement Officer of the General Services Agency:

1. Periodically monitor and provide oversight and review of GPSS procurements.
2. Assist GPSS in providing appropriate training for GPSS Procurement staff.

Management Response and OPA Reply

A preliminary draft report was transmitted to the GPSS Superintendent on June 6, 2008, and the Chief Procurement Officer on June 9, 2008. We met with the GPSS Superintendent, GPSS staff, and the Chief Procurement Officer on June 25, 2008 to discuss the preliminary draft report.

The GPSS Superintendent and Chief Procurement Officer generally concurred with the findings and recommendations of this report. After discussions with GPSS Internal Auditors, the recommendation to periodically monitor GPSS procurement activities was modified. See Appendices 9 and 10 for their respective management responses.

The legislation creating the Office of the Public Auditor requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of the implementation of the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, our office will be contacting GPSS and the Chief Procurement Officer to establish target dates and titles of officials responsible for implementing the recommendations.

We appreciate the cooperation shown by the Guam Public School System and the General Services Agency.

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Appendix 1:
Classification of Monetary Impact

Finding Area	Questioned Cost
1No Oversight	\$ -
2Lack of Appropriate Separation of Duties	-
3Excessive and Unnecessary Use of Emergency Procurement	
a- No Price Quotes	\$ 693,721
b- Overextended Emergency Declarations	<u>195,491</u>
Subtotal	889,212
4Artificial Division of POs	843,222
5Unjustified Use of and Extension of Indefinite POs	440,054
6Other Substandard Procurement Practices	<u>751,061</u> *
 Total Questioned Cost **	 <u><u>\$ 2,923,549</u></u>

*Bid file for four POs missing in its entirety.

** Amounts questioned due to non-compliance with established criteria for the finding area.

Appendix 2:
Questioned Cost Details

(A) No Price Quotes

	Vendor	PO NUMBER	Description	PO Amount	Total Payment
1	Vendor B	200300187	Cleaning, sanitizing and removal of mildew	\$ 125,268	\$ 125,268
2	Vendor E	200403097	Design and build air-con system	436,358	436,358
3	Vendor H	200507084	Roof repair	132,096	132,095

Total No Price Quotes \$ 693,721

(B) Over-extended Emergency Declarations

	Vendor	PO NUMBER	Description	PO Issued (Date)	Declaration (Date)	Days Elapsed	PO Amount	Total Payment
1	Vendor B	200300187	Cleaning, sanitizing and removal of mildew	2/7/2003	12/8/2002	61	\$ 125,268	\$ - *
2	Vendor C	200500069	Air-con repair and maintenance	11/5/2004	7/23/2004	105	49,000	48,998
3	Vendor E	200403097	Design and build air-con system	8/30/2004	7/23/2004	38	436,358	- *
4	Vendor F	200500068	Air-con repair and maintenance	11/5/2004	7/23/2004	105	49,000	48,595
5	Vendor H	200500070	Air-con repair and maintenance	11/5/2004	7/23/2004	105	49,000	49,000
6	Vendor H	200500228	Air-con repair and maintenance	12/1/2004	7/23/2004	131	49,000	48,898
7	Vendor H	200507084	Roof repair	9/19/2005	7/23/2004	423	132,096	- *

*Questioned in another finding area.

Total Over-extended Emergency Declarations \$ 195,491

**Appendix 2:
Questioned Cost Details**

(C) Artificial Division of POs

	Vendor	Description	PO Number	PO Date	PO Amount	Total Payment
1	Vendor A	Construct walkway canopy at Chief Brodie Elem.	200600469	12/15/2005	\$ 34,325	\$ 76,275
	Vendor A	Construct walkway canopy at Agueda Johnston M.S.	200600471	12/15/2005	41,950	
2	Vendor C	Preventative maintenance and repairs of a/c units	200600319	12/1/2005	47,400	150,120
	Vendor C	Preventative maintenance and repairs of a/c units	200600321	12/1/2005	15,000	
	Vendor C	Preventative maintenance and repairs of a/c units	200600322	12/1/2005	11,880	
	Vendor C	Preventative maintenance and repairs of a/c units	200600323	12/1/2005	15,000	
	Vendor C	Preventative maintenance and repairs of a/c units	200600324	12/1/2005	18,144	
	Vendor C	Preventative maintenance and repairs of a/c units	200600325	12/1/2005	20,088	
	Vendor C	Preventative maintenance and repairs of a/c units	200600326	12/1/2005	9,000	
	Vendor C	Preventative maintenance and repairs of a/c units	200600327	12/1/2005	13,608	
3	Vendor E	Purchase and installation of 4 A/Cs for Talofoto Elem	200402320	7/27/2004	8,200	50,100
	Vendor E	Purchase and installation of 10 A/Cs for JP Torres Elem	200402322	7/27/2004	10,500	
	Vendor E	Purchase and installation of 6 A/Cs for Marcial Elem	200402323	7/27/2004	15,300	
	Vendor E	Purchase and installation of 2 A/Cs for MU Lujan Elem	200402324	7/27/2004	3,150	
	Vendor E	Purchase and installation of 7 A/Cs for HS Truman Elem	200402325	7/27/2004	12,950	
4	Vendor E	Miscellaneous repairs at Maria Ulloa Elem	200610157	3/30/2006	36,590	150,824
	Vendor E	Miscellaneous repairs at Maria Ulloa Elem	200610158	3/30/2006	45,855	
	Vendor E	Miscellaneous repairs at Oceanview MS	200610159	3/30/2006	12,596	
	Vendor E	Miscellaneous repairs at Machananao Elem	200610161	3/31/2006	10,616	
	Vendor E	Miscellaneous repairs at Astumbo Elem	200610162	3/31/2006	9,555	
	Vendor E	Miscellaneous repairs at Astumbo Elem	200610164	3/31/2006	26,002	
	Vendor E	Miscellaneous repairs at Astumbo Elem	200610165	3/31/2006	9,610	
5	Vendor F	Repair of a/c units at various schools	200402352	7/28/2004	14,900	29,800
	Vendor F	Repair of a/c units at various schools	200402354	7/28/2004	14,900	
6	Vendor F	Repair of a/c units at various schools	200402789	8/19/2004	14,900	29,800
	Vendor F	Repair of a/c units at various schools	200402877	8/19/2004	14,900	
7	Vendor F	Installation of air conditioning units	200601941	3/16/2006	10,000	118,644
	Vendor F	Installation of air conditioning units	200601948	3/16/2006	15,250	
	Vendor F	Installation of air conditioning units and required additional electrical power source and refrigerant piping	200601945	3/16/2006	5,000	
	Vendor F	Preventive maintenance and repairs of air conditioning units	200601942	3/16/2006	31,104	
	Vendor F	Preventive maintenance and repairs of air conditioning units	200601950	3/16/2006	14,000	
	Vendor F	Replacement of air conditioning unit in cafeteria and installation required additional electrical power source, refrigerant piping, and crane rental	200601946	3/16/2006	23,450	
8	Vendor F	Replacement of air conditioning unit in cafeteria and installation required additional electrical power source, refrigerant piping, and crane rental	200601947	3/16/2006	19,840	38,600
	Vendor H	Repair of school bell system and canopy at FB MS.	200506517	8/22/2005	20,000	
	Vendor H	Repair of school bell system at Jose LG Rios MS	200506518	8/23/2005	18,600	

**Appendix 2:
Questioned Cost Details**

(C) Artificial Division of POs, continued

	Vendor	Description	PO Number	PO Date	PO Amount	Total Payment
9	Vendor H	Preventive maintenance and repairs of air-conditioning units.	200600217	11/16/2005	\$ 18,144	\$ 60,480
	Vendor H	Preventive maintenance and repairs of air-conditioning units.	200600219	11/16/2005	42,336	
10	Vendor L	Miscellaneous repairs at Inarajan Elem	200402885	9/3/2004	9,800	99,869
	Vendor L	Miscellaneous repairs at Tamuning Elem.	200402886	9/3/2004	20,610	
	Vendor L	Miscellaneous repairs at JP Torres Elem.	200402887	9/3/2004	19,880	
	Vendor L	Miscellaneous repairs at Merizo Elem.	200402888	9/3/2004	21,280	
	Vendor L	Miscellaneous repairs at FQ Sanchez Elem.	200402889	9/3/2004	6,300	
	Vendor L	Miscellaneous repairs at Jose LG Rios MS.	200402891	9/3/2004	21,999	
11	Vendor L	Repair roof leaks Juan M Guerrero Elem	200506491	8/22/2005	5,152	38,710
	Vendor L	Repair roof at gymnasium of FB Leon Guerrero MS.	200506499	8/22/2005	2,980	
	Vendor L	Repair roof at Inarajan MS	200506501	8/22/2005	30,578	

Total Artificial Division of POs \$ 843,222

(D) Unjustified Use of and Extensions of Indefinite POs

	Vendor	PO Date	PO NUMBER	Description	PO Amount	Total Payment
1	Vendor F	5/18/2005	200503279	Indefinite quantity a/c	\$ 399,013	\$ 399,013
2	Vendor E	11/7/2005	200600126	Preventative maintenance of various cafeteria equipment	120,000	41,041

Total Extended and Unjustified Indefinite POs \$ 440,053.58

**Appendix 2:
Questioned Cost Details**

(E) Other Substandard Practices

Vendor	Description	PO Amount	No Inspection Report	No School Sign-Off	Incomplete Invoices and Checks
Vendor A	Installation of water tanks	\$ 159,000	✓	✓	
Vendor C	Air-con repair and maintenance	49,000	✓		✓
Vendor E	Design and build SHS air-con system	436,358		✓	
Vendor F	Repair of air-con units at various schools	14,900	✓	✓	
Vendor F	Repair of air-con units at various schools	14,900	✓	✓	
Vendor F	Repair of air-con units at various schools	14,900	✓	✓	
Vendor F	Repair of air-con units at various schools	14,900	✓	✓	
Vendor F	Contractual svcs for air-con repair and maintenance on various public schools	49,000	✓	✓	
Vendor H	Repair of Untalan Middle School sewer system	250,000	✓	✓	
Vendor H	Air-con repair and maintenance	49,000	✓		
Vendor H	Air-con repair and maintenance	49,000	✓		
Vendor H	Simon Sanchez roof repair	132,096	✓		
Vendor D	Earthquake repairs for Jose L.G. Rios MS	590,280		✓	
Vendor D	Walkway canopies, chainlink fences and sport equipment	287,962		✓	
Vendor D	Removal and installation of Synthetic Track	284,675		✓	✓
Vendor I	Construction of head start classroom additions @ JM Guerrero & Wettengel Elem.	274,800	✓	✓	
Vendor E	Repairs of earthquake damages at various schools	115,111	✓	✓	
Vendor K	Earthquake repairs for various schools	149,430	✓	✓	
Vendor J	Vehicle maintenance and repairs for GPSS SPED Division-transportation vehicles.	120,000		✓	
Vendor F	Indefinite quantity air-con	399,013	✓		
Vendor E	Preventative maintenance of various cafeteria equipment	120,000	✓	✓	
Vendor C	Replace hallway canopy roof and gutters	49,500	✓	✓	
Vendor H	Painting project	49,158	✓	✓	
Vendor G	Repairs and maintenance of HVAC water chilled air conditioning at Southern High School	147,980	✓	✓	

Counts: 19 19 2

Appendix 3:
Scope and Methodology

The audit scope included a review of GPSS procurement files for air-conditioning and construction equipment and services from FY 2003 through FY 2006. The audit was conducted at the GPSS procurement office in Hagatna. We interviewed the GPSS Supply Administrator and staff and the GPSS Comptroller.

The audit methodology included identifying air-conditioning and construction procurements and gaining an understanding of the policies, procedures, and applicable procurement laws and regulations. GPSS provided a listing of payments made to all vendors from FY 2003 through FY 2006. We did not test the controls over the information system from which the listing was obtained. The Supply Administrator provided a list of 35 air-conditioning and construction vendors whose existence we verified through the Guam Phone Book. Using the vendor listing, we identified those who were awarded contracts during the scope period.

We judgmentally selected POs greater than \$100,000 and those under the threshold of \$50,000 (construction) or \$15,000 (other than construction) to determine whether competitive methods were followed and for compliance with applicable procurement laws and regulations. The 30 we initially selected totaled \$4,758,603 and represented 36% of all the POs issued for air-conditioning and construction. However, GPSS could not provide procurement documentation for four POs totaling \$751,060. Thus, only 26 POs totaling \$4,007,543 were actually tested.

We also selected POs issued in sequential order to determine whether POs might have been split or significant change orders were made to avoid the required formal bidding procedures. We identified 49 sets of sequential POs consisting of 179 POs with a total value of \$2,084,715. We judgmentally selected 56 POs totaling \$1,046,691 for limited review.

Our audit was conducted in accordance with the standards for performance audits contained in the 2003 Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Appendix 4:
Prior Audit Coverage

GPSS Single Audits

GPSS Single Audits have consistently cited procurement violations since 2002. The Single Audit reports prepared by Deloitte and Touche reported 18 procurement-related findings resulting in questioned costs of \$24,978 in local funds and \$1,501,126 in federal funds, for a total of \$1,526,104. Specifically:

- a. Insufficient documentation in the procurement file (14 of 18);
- b. Not providing potential bidders the minimum required 15 working days between the issuance of the RFP and the specified opening date (7 of 18);
- c. Inappropriate use of emergency procurement (3 of 18); and
- d. Inappropriate use of sole source procurement (2 of 18).

Department of Interior, Office of the Inspector General Reports

US DOI-OIG Audit Report No. 99-I-455, Department of Education Extended Day Program, reported one procurement-related finding resulting in questioned costs of \$96,302. The report found that there was no documentation to show that competitive bids had been solicited for 45 purchases made with DEED program income.

GPSS management stated that no other audits were performed.

Quick hits were actions established by GPSS to improve a specific condition. They typically require no planning or additional resources, and may include policy or process changes. Some of the proposed actions are also mentioned in our report to address deficiencies that we uncovered during our audit. Procurement-related quick hits, as outlined by GPSS are:

As mentioned in this report, GPSS made a valiant effort to address deficiencies in its operations and procedures by developing a Financial Management Improvement Plan. Here, in greater detail, are excerpts from that 2005 plan:

1. Stop typing the name and title of the Procurement Office on the Purchase Orders – for every Purchase Order (PO) currently produced, the procurement staff must use a typewriter to manually insert the signature block (not the signature) for the procurement manager. For the more than 20,000 PO forms GPSS issues, this typing process alone takes more than two staff months.
2. Recruit and hire a Chief Financial Officer – GPSS needs to have a highly qualified, experienced Chief Financial Officer to lead its financial operations. A highly competent CFO helps build credibility within the education community and among key stakeholders. An experienced CFO also brings the knowledge and skills needed to continually improve the financial operations at GPSS.
3. Number the items on Requests for Purchase Order and Purchase Order printout – The Request for Purchase Order (RPO) form and Purchase Order (PO) form list all the items being procured, how many of each item is being purchased, the unit cost and total cost for each item, and other descriptive and summary information. Frequently, an RPO and PO contains dozens or even hundreds of items to be procured. The RPO and PO do not include any numbering scheme that allows the procurement staff to double check the data entry process, find missing items, or easily determine how many total items are listed on the RPO and PO. The FSAIS⁷ staff needs to find a way to number the items on the RPO and PO.
4. Establish policy on minimal PO dollar amount, e.g. no Purchase Orders less than \$25 will be processed – XXXX% of all POs are for less than \$XXXX. Thus, approximately, XXXX POs are processed for minimal amounts of money and minor purchases. These small amount POs cause a large amount of unnecessary and costly work. GPSS needs to establish and enforce a policy of not processing any POs less than SXXXX. Small dollar purchases can be consolidated into a single, larger dollar PO, or GPSS can find an alternative means for making small dollar procurements.
5. Each school must have its own Annual Maintenance Plan. This plan will not just list the items and issues needing attention. It will be a true project plan with

⁷ Finance, Student, and Administration Information System

personnel resources identified, procurement needs specified, funding requirements estimated, and major activities scheduled.

6. The Superintendent needs to reconsider staffing assignments among CIP, F&M, and Procurement. The FMIP Implementation Team suggests reassigning the two QA staff from the Disaster Recovery Office back to the Procurement Office. He should also consider reassigning the two Air-conditioning techs from the CIP office back to Procurement.⁸
7. Develop standard requisition form and require all GPSS to use this form only – different entities in GPSS use different requisition forms. GPSS needs to develop a standard requisition form and require everyone to use it.
8. Eliminate the manual requisition process. (By using print screen of online RPO for authorizing signature.)
9. Develop process for routinely reviewing and closing, as appropriate, purchase orders open 90 or more days.
10. Limit the number of required signatures for fund certification. Limit it to the accounting technician and the certifying officer.

⁸ CIP-Capital Improvement Plan, F&M-Facilities and Maintenance, QA-Quality Assurance

Appendix 6:

Guam Procurement Law: Procurement Records

§ 5248. Record of Procurement Actions Taken Under §§ 5214 and 5215 of this Chapter.

(a) Contents of Record. The Chief Procurement Officer or the Director of Public Works shall maintain a record listing of all contracts made under § 5214 or § 5215 of this Chapter for a minimum of five (5) years. The record shall contain:

- (1) each contractor's name;
- (2) the amount and type of each contract;
- (3) a listing of the supplies, services or construction procured under each contract.

(b) Submission to Legislature. A copy submitted to the Legislature on an annual basis shall be available for public inspection.

§ 5249. Record of Procurement Actions. Each procurement officer shall maintain a complete record of each procurement. The record shall include the following:

- (a) the date, time, subject matter, and names of participants at any meeting including government employees that is in any way related to a particular procurement;
- (b) a log of all communications between government employees and any member of the public, potential bidder, vendor, or manufacturer which is in any way related to the procurement;
- (c) sound recordings of all pre-bid conferences; negotiations arising from a request for proposals and discussions with vendors concerning small purchase procurement;
- (d) brochures and submittals of potential vendors, manufacturers or contractors, and all drafts, signed and dated by the draftsman, and other papers or materials used in the development of specifications; and
- (e) the requesting agency's determination of need.

§ 5250. Certification of Record. No procurement award shall be made unless the responsible procurement officer certifies in writing under penalty of perjury that he has maintained the record required by § 5249 of this Chapter and that it is complete and available for public inspection. The certificate is itself a part of the record.

§ 5251. Public Record. The record required by § 5249 of this Chapter is a public record and, subject to rules promulgated by the Public Auditor, any person may inspect and copy any portion of the record.

§ 5252. Rules for Procurement Records. The rules promulgated pursuant to § 5251 of this Chapter shall:

- (a) protect the integrity of the bidding process;
- (b) protect the confidentiality of trade secrets;
- (c) establish reasonable charges for copying papers;
- (d) provide for transcription of sound recordings;
- (e) require public access to the record at the earliest possible time; and
- (f) not require that the record be complete or that the procurement award be made before inspection and copying are permitted.

The following information is compiled using information derived from Auditing and Assurance Services, 12th Edition by Arens, Elder and Beasley.

Objectives of Internal Controls

Internal control is defined as an integral part of an organization's management that provides reasonable assurance that the objectives of the:

- (1) Effectiveness and efficiency of operations, to include the use of resources;
- (2) Reliability of financial reporting for internal and external use; and
- (3) Compliance with applicable laws and regulations are met.

Internal control is a series of actions and activities that occur on an ongoing basis and include all plans, methods, and procedures that an organization implements to ensure that its mission, goals, and objectives are met. Management is responsible for the development and implementation of internal controls.

While internal controls do not offer guarantees, they provide reasonable assurance that objectives are met and reduce the risk of fraud, waste, and abuse.

Principles of Internal Control

Internal control policies and procedures vary from entity to entity and depend on factors such as the nature and size of operations. However, certain fundamental principles of internal control apply to all entities. They are:

Establishment of responsibilities. Control is most effective when each task is clearly established and assigned to separate individuals.

Maintenance of adequate records. Good recordkeeping practices help protect assets and ensure that employees use prescribed procedures. Reliable records are a source of information that directors use to monitor the entity's operations.

Separating recordkeeping from physical custody of assets. Those with custody and access to assets should be separate from those who maintain the records on the whereabouts and condition of those assets. This principle better protects assets against misuse, theft, or waste. At great risk, custodians and record keepers would have to conspire to steal assets and hide their crimes.

Dividing responsibility for related transactions. Good internal control divides responsibility for a transaction, or a series of related transactions, between two or more individuals or departments, often called 'separation of duties.' This ensures that the work of one acts as a check on another.

Applying technological controls. The use of technological devices (i.e., accounting software or

programs, cash registers, check protectors, time clocks, mechanical counters, and personal identification scanners) can improve internal control.

Performing regular and independent reviews. Management should review monthly financial reports of the agency's operations. Independent reviews should be done by internal auditors or by someone not directly involved in operations. Independent reviews should be done periodically or on an unannounced basis. The entity should have external auditors test the agency's financial records to determine whether they are presented fairly and in accordance with generally accepted accounting principles.

Insuring assets and bonding key employees. Assets should be adequately insured against casualty, and employees handling cash and negotiable assets should be bonded. An employee is *bonded* when the entity purchases an insurance policy, or bond, against losses or theft by that employee. These procedures minimize the risk of fraud and theft, as well as increase the reliability and accuracy of accounting records.

Limitations of Internal Control

All internal control policies and procedures have limitations. They are developed and instituted by people and often impact other people. Thus, the human element is a serious and potential source of limitations. Human error can occur through negligence, fatigue, misjudgment, confusion, or fraud, which involves intent by people to defeat internal controls for personal gain. Another important limitation is the cost-benefit principle. The costs of internal controls must not exceed their benefits. Directors must establish internal control policies and procedures with a net benefit to the entity.

Organization of Procurement Function

Excerpted from “An Elected Official’s Guide to Procurement” published by the Government Finance Officers Association.

There are three, equally important stages in the procurement cycle. If an entity’s focus is simply on purchasing, with little attention paid to planning, scheduling, or contract administration, problems are certain to arise. The three stages are:

- Planning and scheduling,
- Source selection, and
- Contract administration.

Lead responsibility for the three stages varies depending on the size and complexity of the government, and the way that procurement authority is delegated. Each office with a stake in procurement must be involved for the function to be effective. Budget, accounting, program, procurement, and legal staff must work together as a team.

Planning and scheduling: Planning is necessary in order to consolidate purchases and achieve economies of scale. Scheduling takes advantage of market cycles by anticipating the best time to buy. Departments that budget effectively estimate their need for commodities and services in advance. From these estimates, a purchasing schedule that takes into account and consolidates departmental needs can be created.

Source selection (purchasing): Program and procurement staff work closely to define what is to be bought; neither can do it alone. They develop specifications and scopes of work reflecting the program’s knowledge of its needs in delivering services and procurement’s knowledge of the market. After program and procurement staff decides on the appropriate purchase method and type of contract, procurement staff issues the solicitation and receive bids/offers. Procurement executes the contract and the goods/services are delivered in accordance to receiving procedures. This separation of duties is a fundamental aspect of government procurement.

Contract administration: Lead responsibility for contract administration falls on program personnel with the advice and support of procurement staff. Bills are approved and submitted for payment, and the quality of commodities and services is monitored and evaluated. If the program wishes to change the specifications or scope of services, it consults with procurement staff that has the authority to issue and negotiate a change order. If the program is dissatisfied with its purchase, then procurement staff forces corrective action by the vendor. When the contract is completed, the program staff “closes out” the work by, for example, recovering equipment from the vendor, completing an evaluation of the purchase, making sure all bills are paid and the purchase file is complete, and forwarding suggestions for improvements to procurement staff.

An effective procurement program is a team effort with a “customer service” orientation in which the using program is viewed as the customer.

Separation of Duties

We offer five basic ‘best practices’ for a procurement function:

1. The purchasing department receives an approved requisition for needed materials. Someone outside the purchasing department determines that materials are needed and prepares a requisition for approval by the purchasing department.
2. The purchasing department issues a request for bids, selects a vendor, and issues a purchase order.
3. Upon delivery of the materials, the receiving department prepares a receiving and inspection report. In some cases, only someone with technical expertise can inspect and certify the materials. Otherwise, the materials are inspected for quality, quantity, and accuracy. It may be desirable in some instances to test the materials before payment is made. An inspection function may be established for this purpose, either within the receiving department or by another department.
4. The vendor’s invoice is compared against the purchase order and the receiving report, and checked for mathematical accuracy. If all is in order, the invoice is approved for payment.
5. A check is prepared and sent to the vendor; the PO is cancelled to avoid the possibility of duplicate payments; and all transaction documents are collected and filed.

The essential elements to ensure the integrity of the procurement function are:

- **Authority:** Persons taking procurement actions should have formal authorization to do so.
- **Competition:** Selecting vendors should be as competitive as possible and sealed bids or proposals should be used, unless there are justifiable reasons for using another method.
- **Documentation:** All steps in the procurement process should be in writing and all documents should be maintained for record purposes.
- **Compliance:** Both the government and the contractor are legally required to adhere to the written commitments they make.

Appendix 9:
GPSS Management Response



WILFRED G. AFLAGUE
Interim
Superintendent of Education

**GUAM PUBLIC SCHOOL SYSTEM
OFFICE OF THE SUPERINTENDENT**

P.O. Box DE
Hagåtña, Guam 96932
Telephone: (671) 475-0457/0515
Fax: (671) 472-5003
Email: wgaflague@gdoe.net
www.gdoe.net



*org: Yuhw
cc: LP, DFB, file*

June 25, 2008

Mrs. Doris Flores Brooks
Public Auditor
Office of the Public Auditor
238 Archbishop Flores Street, Ste 401, PDN
Hagåtña, Guam 96910

RECEIVED
OFFICE OF THE PUBLIC AUDITOR

DATE: 6/26/08

TIME: 12:15 PM

BY: AC

Dear Mrs. Brooks,

Per our discussion this morning regarding the transmittal of Preliminary Draft Report of the Performance Audit on the Guam Public School System Office of Supply Management (Procurement), this is to inform you that after due consideration, the Guam Public School System (GPSS) agrees with the findings and request that you issue findings formally. GPSS will provide an action plan within your office's requested specific time.

We appreciate your efforts in assisting GPSS' Procurement Office to perform efficiently and with accountability to support our learners in our schools. We look forward to receiving your formal findings.

Put Respetu,

W.G. Aflague
WILFRED G. AFLAGUE

Cc: Acting CFO
Comptroller
Administrator, Procurement Office

Appendix 10:
GSA Management Response

Felix P. Camacho
Governor



GENERAL SERVICES AGENCY

(Ahensian Setbision Hinirat)
Department of Administration
Government of Guam

Michael W. Cruz,
Lt. Governor

Lourdes M. Perez
Director
Department of Administration

Tel: (671)475-1707 thru 1729/Fax No: (671)472-4217/475-1716

148 Route 1 Marine Drive, Piti, Guam 96915

Joseph C. Manibusan
Deputy Director
Department of Administration

June 26, 2008

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of the Public Auditor
Suite 401, Pacific News Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Subject: Preliminary Draft Report of the Performance Audit on the Guam Public School System Office of Supply Management (Procurement)

Dear Ms. Brooks:

Buenas Yan Hafa Adai! This is to acknowledge receipt of your letter dated June 09, 2008 regarding the preliminary draft report of the Performance Audit on the Guam Public School System Office of Supply Management (Procurement, GPSS).

Based on the recommendations you provided to the Chief Procurement Officer of the General Services Agency, I agree to contribute or assist in any way possible to improve the over all procurement system of the GPSS. I will do my very best in establishing standard operating procedures and internal controls as it relates to procurement matters.

If you have any questions or concerns, I may be reached at 475-1713.

Sincerely,


CLAUDIA S. ACFALLE
Chief Procurement Officer

RECEIVED
OFFICE OF THE PUBLIC AUDITOR

DATE: 06/27/08

TIME: 9:25 AM

BY: Rjm

COMMITTED TO EXCELLENCE

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **Visit our website at www.guamopa.org;**
- **Call our office at 475-0390;**
- **Fax our office at 472-7951;**
- **Or visit us at the PNB Building, Suite 401
In Hagåtña**

All information will be held in strict confidence.