

*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 Educational Telecommunications Corporation**  
(A Component Unit of the Government of Guam)

*Year ended September 30, 2021*  
*with Report of Independent Auditors*



# Guam Educational Telecommunications Corporation

(A Component Unit of the Government of Guam)

## 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

Year ended September 30, 2021

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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

The Board of Trustees  
Guam Educational Telecommunications Corporation

### **Report on Compliance for Each Major Federal Program**

We have audited the Guam Educational Telecommunications Corporation's (PBS Guam), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of PBS Guam's major federal programs for the year ended September 30, 2021. PBS Guam's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of PBS Guam's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PBS Guam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of PBS Guam's compliance.

***Basis for Qualified Opinion on COVID-19 Education Stabilization Fund – Governor (Outlying Areas)***

As described in findings 2021-001 and 2021-002 in the accompanying schedule of findings and questioned costs, PBS Guam did not comply with requirements regarding the following:

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2021-001	84.425H	COVID-19 Education Stabilization Fund – Governors (Outlying Areas)	Activities Allowed or Unallowed and Allowable Costs/Cost Principle
2021-002	84.425H	COVID-19 Education Stabilization Fund – Governors (Outlying Areas)	Cash Management

Compliance with such requirements is necessary, in our opinion, for PBS Guam to comply with the requirements applicable to that program.

***Qualified Opinion on COVID-19 Education Stabilization Fund – Governors (Outlying Areas)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, PBS Guam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 Education Stabilization Fund – Governors (Outlying Areas) for the year ended September 30, 2021.

***Other Matters***

PBS Guam’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PBS Guam’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of PBS Guam is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PBS Guam’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PBS Guam’s internal control over compliance.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

<b>Finding No.</b>	<b>Assistance Listing No.</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2021-001	84.425H	COVID-19 Education Stabilization Fund – Governors (Outlying Areas)	Activities Allowed or Unallowed and Allowable Costs/Cost Principle
2021-002	84.425H	COVID-19 Education Stabilization Fund – Governors (Outlying Areas)	Cash Management

PBS Guam’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PBS Guam’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 PBS Guam as of and for the year ended September 30, 2021, and have issued our report thereon dated March 10, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Ernst + Young LLP*

November 10, 2022

# Guam Educational Telecommunications Corporation

(A Component Unit of the Government of Guam)

## Schedule of Expenditures of Federal Awards For the Year ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listings Number</u>	<u>Pass-Through Entity Identifying number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Education</b>			
Office of the Governor of Guam - COVID-19 Education Stabilization Fund - Governors (Outlying Areas)	84.425H	CF#2020-12285	1,214,942
<b>Total U.S. Department of Education</b>			<u>1,214,942</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>1,214,942</u>

*See accompanying notes to the schedule of expenditures of federal awards.*

# Guam Educational Telecommunications Corporation

(A Component Unit of the Government of Guam)

## Notes to the Schedule of Expenditures of Federal Awards For the Year ended September 30, 2021

### **1. Scope of Review**

Guam Educational Telecommunication Corporation (PBS Guam) a component unit of the Government of Guam, currently operates Guam's Public Broadcasting Service (PBS) station (PBS Guam Channel12). PBS Guam was established as a public corporation by Public Law 12-194 as approved on January 2, 1975. All significant operations of PBS Guam are included in the scope of the uniform Guidance audit (the "Single Audit").

### **2. Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures.

Because the Schedule presents only a selected portion of the operations of PBS Guam, it is not intended to and does not present the financial position, changes in net position, or cash flows of PBS Guam.

#### *Indirect Cost Allocation*

PBS Guam has elected not to use the 10 percent de minimis indirect cost rate as covered in 2 CFR 200.414 of the Uniform Guidance. No indirect costs were recorded against any federal program for the year ended September 30, 2021.



# Guam Educational Telecommunications Corporation

(A Component Unit of the Government of Guam)

## Schedule of Findings and Questioned Costs For the year ended September 30, 2021

### 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 identified?

       **yes**        X   **no**

Significant deficiency identified?

       **yes**        X   **none reported**

Noncompliance material to financial statements noted?

       **yes**        X   **no**

#### Federal Awards

Internal control over major federal programs:

Material weaknesses identified?

  X   **yes**             **no**

Significant deficiency identified?

       **yes**        X   **none reported**

Type of auditor’s report issued on compliance for major federal programs

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

  X   **yes**             **no**

Identification of major federal programs:

**Assistance Listing number(s)**

84.425H

**Name of federal program or cluster**

Education Stabilization Fund Program Governors  
- Outlying Areas

Dollar threshold used to distinguish between Type A and Type B programs:

  \$ 750,000  

Auditee qualified as low-risk auditee?

       **yes**        X   **no**

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## **Section II – Financial Statement Findings**

No matters were reported.

# Guam Educational Telecommunications Corporation

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## Section III—Federal Award Findings and Questioned Costs

### Finding No. 2021-001

Federal Agency: U.S. Department of Education  
CFDA Number and Title: 84.425H COVID-19 Education Stabilization Fund (ESF) –  
Outlying Areas-Governors  
Award Number: S425H200004  
Area: Activities Allowed or Unallowed and Allowable Costs/Cost  
Principle  
Questioned Costs: \$554,171

#### Criteria:

2 CFR 200.413(a) defines direct cost charged to the federal award as those costs that can be identified with a particular final cost objective or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

2 CFR 200.400(d) requires grantees to maintain adequate documentation to support costs charged to the federal award.

Per the Memorandum of Understanding (MOU) between the Office of the Governor of Guam (OGG) and PBS Guam (CG#2020-12285), OGG has agreed to subaward the sum of \$1,507,650 to PBS Guam for the purpose of administering the PBS University Program. Indirect cost is not allowed to be reimbursed under the program.

#### Condition:

We tested forty-eight (48) transactions totaling \$750,705 out of a total population of \$1,214,942, we noted the following:

- Ten (10) transactions totaling \$21,547 are not allowable activities as they are not direct costs related to administering the PBS University Program.
- Fifteen (15) transactions totaling \$514,700 do not have adequate documentation to support the cost charged to the program.
- Associated unallowable cost related to the aforementioned findings totaled \$18,524.

#### Cause:

PBS Guam's management is not experienced with administering federal programs. Amounts charged to the grant was based on a rate schedule exceeding direct costs.

#### Effect:

PBS Guam is noncompliant with the requirements of activities allowed or unallowed and allowable cost/cost principle.

#### Recommendation:

PBS Guam should review requirements Uniform Guidance and the grant agreement and improve its procedures on reviewing the allowability of activities and costs charged to the grant.

#### Views of responsible officials:

Management agrees. Refer to Corrective Action Plan.

# Guam Educational Telecommunications Corporation

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## **Finding No. 2021-002**

Federal Agency: U.S. Department of Education  
CFDA Number and Title: 84.425H COVID-19 Education Stabilization Fund (ESF) –  
Outlying Areas-Governors  
Award Number: S425H200004  
Area: Cash Management  
Questioned Costs: \$0

### Criteria:

2 CFR 200.302(b)(6) requires non-federal entities to establish written procedures to implement the requirements of 2 CFR 200.305 *Federal Payment*.

2 CFR 200.305(b)(3), program cost must be paid by non-federal entity funds before submitting a payment request. The non-federal entity must disburse funds for program purposes before requesting payment from the federal awarding agency or pass-through entity.

### Condition:

PBS Guam does not have written procedures as required by the Uniform Guidance.

We tested 48 transactions of which 28 did not have sufficient support to demonstrate that funds were disbursed prior to requesting reimbursement.

### Cause:

PBS Guam's management is not experienced with administering federal programs. Management was not aware that PBS Guam funds must be disbursed prior to requesting reimbursement.

### Effect:

PBS Guam is noncompliant with the requirements of the cash management principle.

### Recommendation:

PBS Guam should review Uniform Guidance requirements and the grant agreement and improve its procedures to ensure compliance with the cash management principle.

### Views of responsible officials:

Management agrees. Refer to Corrective Action Plan



Guam Educational Telecommunication Corporation

## **Federal Award Findings and Questioned Costs**

### **Finding No. 2021-001**

#### Area:

Activities Allowed or Unallowed and Allowable Costs/Cost Principle

#### Views of Auditee and Planned Corrective Action:

PBS Guam followed the agreement between the Office of the Governor and PBS Guam as stated in the MOU. As a result, and as per the MOU, PBS Guam billed the Guam State Clearinghouse base on the agreed rates which were PBS Guam's rate card approved by the board of trustees. However, during the Government wide audit, PBS Guam was identified as a subrecipient of the federal awards and as such, PBS is required to follow the Uniform Guidance.

To comply, PBS Guam has plans on establishing new procedures to identify federal award requirements. This will include reviewing the Uniform Guidance to identify allowable activities and costs that should be charged to the grant award and maintaining proper and adequate documentation for all future grants awards.

#### Anticipated Completion Date:

January 1, 2023

#### Name of Contact Person and Title:

Ina Carillo, General Manager  
Contact – [icarillo@pbsguam.org](mailto:icarillo@pbsguam.org)

*Ina Carillo* 11/7/2022

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Guam Educational Telecommunication Corporation

**Federal Award Findings and Questioned Costs**

**Finding No. 2021-002**

Area:

Cash Management

Views of Auditee and Planned Corrective Action:

PBS Guam will review the Uniform Guidance requirements and establish a written procedures for cash management as required by the Uniform Guidance.

Anticipated Completion Date:

January 1, 2023

Name of Contact Person and Title:

Ina Carillo, General Manager  
Contact – icarillo@pbsguam.org

Handwritten signature of Ina Carillo in blue ink, with the date "11/17/2022" written next to it.

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