

Management Letter

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

Year ended September 30, 2023





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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, 2023, 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:

Unrecorded Liabilities

Comment 1: As of September 30, 2023, Federal Grant accruals and expenditures were understated by \$1.3M. An audit adjustment was proposed to correct this misstatement.

Comment 2: Invoices related to bus services totaling \$1.5M (Ref. #s B021-045 to 084 and B022-21 to 060) were not accrued, and which related to fiscal years 2021 and 2022. An audit adjustment was proposed to correct this misstatement.

Comment 3: Legal cases should be assessed by management to determine if a liability should be reported. An audit adjustment was proposed to correct a \$915K misstatement representing unrecorded claims payable as of September 30, 2023.

Unrecorded Liabilities, continued

Recommendation: We recommend GDOE management establish internal control policies and procedures requiring reconciliation with significant vendors be performed on a periodic basis. Additionally, legal cases should also be assessed at the end of the fiscal year to determine if additional liabilities should be reported.

Capital Assets

Comment 1: Leased buildings for certain schools, warehouses and offices were over depreciated by \$1.9M. As this amount is not considered material to the financial statements, proposed adjustment is included in the department wide communication schedule for uncorrected misstatements.

Comment 2: GDOE's schools were not evaluated and assessed for impairment.

An audit adjustment was proposed to recognize the impairment of Simon Sanchez High School and F.B. Leon Guerrero Middle School.

Recommendation: We recommend GDOE management establish internal control policies and procedures requiring depreciation expense be recorded based on GDOE's established capital asset policy, and periodic evaluation and assessment for impairment of GDOE's schools be performed.

OPEB Census Data

Comment: For 8 out of 25 samples tested, GDOE inaccurately reported the gender information of census data submitted to GovGuam's Department of Administration which was used by the actuaries for valuing the total OPEB liability for measurement date ended September 30, 2022.

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

First Generation Trust Fund

Comment: GDOE did not close out the First Generation Trust Fund at the end of fiscal year 2023 contrary to the sunset provision in the Teaching and Learning Communities Act and 17 GCA 14208, the First Generation Trust Fund Initiative.

Recommendation: We recommend GDOE management comply with the sunset provision in the Teaching and Learning Communities Act and 17 GCA 14208, the First Generation Trust Fund Initiative.

Procurement and Certification of Funds

Comment: 5 GCA 5249, Record of Procurement Actions, requires each procurement officer shall maintain a complete record of each procurement.

5 GCA 5250, Certification of Record, requires 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 5 GCA 5249 and that it is complete and available for public inspection. The certificate is itself a part of the record.

In December 2022, services were rendered for custodial services totaling \$203K for which procurement and certification of record was not complete or available. In February 2023, payment was approved and processed for these services. (REF: JV 5-499)

Recommendation: We recommend GDOE management comply with 5 GCA 5249 and 5 GCA 5250. Certification of Record and obligation of funds should be completed and documented in file before a notice to proceed is awarded or expenditures are incurred.

Journal Voucher to Transfer Payroll Costs

Comment: JV 13-97 was recorded to transfer \$76K of payroll costs to a different funding source due to a temporary assignment. No approved personnel action or equivalent was provided to support the transfer for the timeframe covered.

Recommendation: We recommend personnel costs be supported with an approved personnel action or equivalent to support the revised funding source.

Leave Conversion

Comment: GDOE credited back an employee's used sick leave of 176 hours and used annual leave of 76 hours based on a signed memorandum from the Acting Superintendent authorizing the sick and annual leave conversion to administrative leave. The employee's leave of absence is not administrative in nature as provided in GDOE's personnel rules and regulations.

Recommendation: We recommend GDOE management review its leave conversions to ensure that they are made only in circumstances allowed in the personnel rules and regulations.

GASB 87 Leases

Comment: GDOE did not report a lease contract applicable under GASB 87, *Leases*. Unrecorded lease asset and lease liability as of September 30, 2023 amounted to \$1.9M and \$2M, respectively. As this amount is not considered material to the financial statements, proposed adjustment is included in the department wide communication schedule for uncorrected misstatements.

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

Guam Department of Education
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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 pleased to discuss the above matter or to respond to any questions, at your convenience.

Ernst + Young LLP