

June 29, 2013

Mr. Jon Fernandez  
Superintendent  
Guam Department of Education  
P.O. Box DE  
Hagatna, GU 96932

We have performed an audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 29, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GDOE is responsible.

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 8, 2012. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of each opinion unit in GDOE’s basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2012 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To report on GDOE’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and

- To report on GDOE 's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement (OMB Circular A-133)*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Office of the Superintendent are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Office of the Superintendent of their responsibilities.

We considered GDOE's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GDOE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GDOE's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered GDOE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of GDOE's compliance with those requirements.

## **MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GDOE's 2012 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2012, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on GDOE's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2012 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

GDOE's significant accounting policies are set forth in Note 1 to GDOE's 2012 financial statements. During the year ended September 30, 2012, there were no significant changes in previously adopted accounting policies or their application, except as follows:

During the year ended September 30, 2012, GDOE implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

The implementation of these pronouncements did not have a material effect on GDOE's 2012 financial statements.

## **OTHER INFORMATION IN THE ANNUAL REPORTS**

When audited financial statements are included in documents containing other information such as GDOE's 2012 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in GDOE's 2012 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to GDOE's 2012 financial statements.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of GDOE's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GDOE is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letters we obtained from management.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions were held or were the subject of correspondence with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GDOE's management and staff and had unrestricted access to GDOE's senior management in the performance of our audit.

## CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 29, 2013, on the GDOE's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have also issued a separate report to you, also dated June 29, 2013, involving the GDOE's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Within those reports, we noted certain matters that were considered to be material weaknesses and significant deficiencies under standards established by the American Institute of Certified Public Accountants and OMB Circular A-133. Although we have included management's written responses to our comments contained in those reports, such responses have not been subjected to the auditing procedures applied on our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

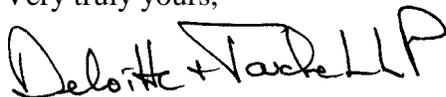
We have communicated to management, in separate letters also dated June 29, 2013, certain deficiencies and other matters related to the GDOE's internal control over financial reporting that we identified during our audit.

\* \* \* \* \*

This report is intended solely for the information and use of management, the Office of the Superintendent, the Office of Public Accountability of Guam, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of GDOE for their cooperation and assistance during the course of this engagement.

Very truly yours,

Handwritten signature of Deloitte + Touche LLP in black ink.

Guam Department of Education  
 Summary of Corrected Misstatements  
 Fiscal year ended September 30, 2012

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
<b>GOVERNMENT WIDE</b>			
<b>GW-1 AJE To adjust JFK Capital Lease</b>			
820-380100	AMT TOBE PROVIDED-C.LEASE	-	780,000.00
820-380200	CAPITAL LEASE-LONG TERM	956,667.00	-
820-380300	CAPITAL LEASE -CURRENT	-	176,667.00
		<u>956,667.00</u>	<u>956,667.00</u>
<b>GW-2 AJE To adjust MSLB principal</b>			
820-280300	PREPAYMENT-CAPITAL LEASE	-	25,000.00
820-280400	DEFERRED MAINT. COST	-	59,855.00
820-280500	OTHER DEFERRED ASSETS	-	104,876.00
820-380100	AMT TOBE PROVIDED-C.LEASE	-	3,020,269.00
820-380200	CAPITAL LEASE-LONG TERM	3,238,333.00	-
820-380300	CAPITAL LEASE -CURRENT	-	28,333.00
		<u>3,238,333.00</u>	<u>3,238,333.00</u>
<b>GW-3 AJE To adjust Annual Leave</b>			
820-340200	ACCRUED ANNUAL LEAVE	6,803,461.35	-
820-340300	ACCRUED ANNUAL LEAVE-CURR	-	42,588.00
820-340700	ACCRUED ANNUAL LEAVE-LT	16,383.00	-
820-381200	EMPLOYEE BENEFITS	-	6,777,256.35
		<u>6,819,844.35</u>	<u>6,819,844.35</u>
<b>GW-4 AJE To adjust Sick Leave</b>			
820-381200	EMPLOYEE BENEFITS	281,538.00	-
820-381300	DEF.CONTRIB.RETIRE/SICK	-	281,538.00
		<u>281,538.00</u>	<u>281,538.00</u>
<b>GW-5 AJE To reconcile fixed assets</b>			
810-253000	FIXED ASSETS-OTHER EQUIPMENT	5,287,015.72	-
810-253500	ACCUM. DEPRE-OTHER EQUIPMEN T	-	755,287.96
810-255100	CONSTRUCTION IN PROGRESS	2,443,791.85	-
810-255000	FIXED ASSET CONTROL	-	6,975,519.61
		<u>7,730,807.57</u>	<u>7,730,807.57</u>
<b>GENERAL FUND</b>			
<b>GF-1 AJE To reconcile fund balance</b>			
XXX.00.000.210000.00.0000.00.	INTERFUND CASH	-	11,885,975.69
XXX.00.000.441900.00.0000.00.	FUND BALANCE	11,885,973.69	-
29000	MISCELLANEOUS EXPENSE ACCOUNTS	2.00	-
		<u>11,885,975.69</u>	<u>11,885,975.69</u>
<b>GF-2 AJE To record appropriations paid by DOA on behalf of GDOE</b>			
GGRF payment	RETIREMENT PAYABLE	6,348,628.26	-
GGRF payment	TRANSFERS IN FROM GF	-	31,241,187.91
GPA promissory note	LONG-TERM DEBT	1,824,065.49	-
GPA promissory note	CURR PORT LONG-TERM DEBT	438,892.09	-
GPA promissory note	INTEREST EXPENSE	137,042.42	-
Untalan Operating Lease	CAPITAL IMPROVEMENT	3,241,678.75	-
Untalan Operating Lease	PREPAID LEASE	1,497,752.00	-
Untalan Operating Lease	OPERATION LEASE EXPENSE	2,995,504.00	-
Post employment benefits	RETIREEES BENEFITS	8,058,962.40	-
JFK Capital lease	CAPITAL LEASE PAYMENT	6,698,662.50	-
		<u>31,241,187.91</u>	<u>31,241,187.91</u>
<b>GF-3 AJE To record accruals</b>			
180.00.000.340100.00.0000.00.	ACCRUAL	-	136,396.53
180.00.000.441500.00.0000.00.	FB Res for Enc	136,396.53	-
180.00.000.441900.00.0000.00.	FUND BALANCE	-	136,396.53
23000	CONTRACTUAL	136,396.53	-
		<u>272,793.06</u>	<u>272,793.06</u>
<b>GF-4 AJE To record interest on Investment</b>			
180.00.000.201600.00.0000.00.	MONEY CONCEPT-ARRA	37,741.15	-
160000	INTEREST INCOME	-	37,741.15
		<u>37,741.15</u>	<u>37,741.15</u>

**APPENDIX I, CONTINUED**

Guam Department of Education  
 Summary of Corrected Misstatements  
 Fiscal year ended September 30, 2012

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
<b>GENERAL FUND, Continued</b>			
110.00.000.340100.00.0000.00. 11100	<b>GF-5 AJE To adjust accrued payroll</b> ACCRUAL REGULAR SALARIES	1,198,598.23 - <u>1,198,598.23</u>	- 1,198,598.23 <u>1,198,598.23</u>
110.00.000.230100.00.0000.00. 110000	<b>GF-6 AJE To adjust appropriations</b> DUE FROM GENERAL FUND TRANSFERS IN FROM GF	- 4,043,373.78 <u>4,043,373.78</u>	4,043,373.78 - <u>4,043,373.78</u>
XXX.00.000.200000.00.0000.00. 110000	<b>GF-7 AJE To adjust for cleared checks and tax offsets</b> CHECKING-OPERATIONS CHECKING TRANSFERS IN FROM GF	2,311,396.38 - <u>2,311,396.38</u>	- 2,311,396.38 <u>2,311,396.38</u>
110.00.000.300000.00.0000.00. 45000	<b>GF-8 AJE To adjust for unrecorded liabilities</b> ACCOUNTS PAYABLE CAPITAL IMPROVEMENT	- 101,881.00 <u>101,881.00</u>	101,881.00 - <u>101,881.00</u>
110.00.000.331000.00.0000.00. 110.00.000.210000.00.0000.00.	<b>GF-9 AJE To correct journal entry</b> OVERDRAFT INTERFUND CASH	- 2,887,485.21 <u>2,887,485.21</u>	2,887,485.21 - <u>2,887,485.21</u>
<b>FEDERAL GRANTS ASSISTANCE</b>			
XXX.00.000.210000.00.0000.00. XXX.00.000.441900.00.0000.00.	<b>FG-1 AJE To reconcile fund balance</b> INTERFUND CASH FUND BALANCE	11,885,975.69 - <u>11,885,975.69</u>	- 11,885,975.69 <u>11,885,975.69</u>
1 2	<b>FG-2 AJE To record Municipal school leaseback</b> CAPITAL LEASE PAYMENT APPROPRIATION	7,100,000.00 - <u>7,100,000.00</u>	- 7,100,000.00 <u>7,100,000.00</u>
11100 12100 120000 4 6	<b>FG-3 AJE To adjust DEED receipts</b> REGULAR SALARIES BENEFITS FEDERAL GRANT INCOME DUE FROM FEDERAL AGENCIES ACCRUAL	596,675.12 25,959.88 - 622,635.00 - <u>1,245,270.00</u>	- - 622,635.00 - 622,635.00 <u>1,245,270.00</u>
220.00.000.230000.00.0000.00. 220.00.000.340100.00.0000.00. 220.00.000.441900.00.0000.00. 23000 120000 XXX.00.000.441500.00.0000.00.	<b>FG-4 AJE To adjust for unrecorded liabilities</b> ACCOUNTS RECEIVABLE ACCRUAL FUND BALANCE CONTRACTUAL FEDERAL GRANT INCOME FB Res for Enc	153,331.88 - - 153,331.88 - 153,331.88 <u>459,995.64</u>	- 153,331.88 153,331.88 - 153,331.88 - <u>459,995.64</u>
210.00.000.340100.00.0000.00. 23000 120000 4	<b>FG-5 AJE To reverse Pd 13 Jnl 254</b> ACCRUAL CONTRACTUAL FEDERAL GRANT INCOME DUE FROM FEDERAL AGENCIES	- 349,783.03 - 349,783.03 <u>699,566.06</u>	349,783.03 - 349,783.03 - <u>699,566.06</u>

**APPENDIX I, CONTINUED**

Guam Department of Education  
 Summary of Corrected Misstatements  
 Fiscal year ended September 30, 2012

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
<b>FEDERAL GRANTS ASSISTANCE, Continued</b>			
	<b>FG-6 AJE To reverse CIMS AJE 1004</b>		
23000	CONTRACTUAL	349,783.03	-
120000	FEDERAL GRANT INCOME	-	349,783.03
4	DUE FROM FEDERAL AGENCIES	349,783.03	-
6	ACCRUAL	-	349,783.03
		<u>699,566.06</u>	<u>699,566.06</u>
	<b>FG-7 AJE To reconcile federal receipts</b>		
220.00.000.210000.00.0000.00.	INTERFUND CASH	-	2,322,068.62
220.00.000.210000.00.0000.00.	INTERFUND CASH	8,608.00	-
221.00.000.210000.00.0000.00.	INTERFUND CASH	-	3,500.00
230.00.000.210000.00.0000.00.	INTERFUND CASH	-	561,916.59
220.00.000.310200.00.0000.00.	DUE TO FEDERAL AGENCIES	2,285,802.89	-
220.00.000.310200.00.0000.00.	DUE TO FEDERAL AGENCIES	36,265.73	-
221.00.000.310200.00.0000.00.	DUE TO FEDERAL AGENCIES	3,500.00	-
230.00.000.310200.00.0000.00.	DUE TO FEDERAL AGENCIES	561,916.59	-
120000	FEDERAL GRANT INCOME	3,648,183.56	-
	DUE FROM FEDERAL AGENCIES	-	2,791,929.48
	DEFERRED REVENUE	-	3,172,150.30
	ACCRUAL	<u>2,307,288.22</u>	-
		<u>8,851,564.99</u>	<u>8,851,564.99</u>
	<b>FG-8 AJE To record expenditures not recorded by TPFA</b>		
11100	REGULAR SALARIES	1,731,274.02	-
22000	TRAVEL	116,928.04	-
29000	MISCELLANEOUS EXPENSE ACCOUNTS	500.00	-
120000	FEDERAL GRANT INCOME	-	1,848,702.06
4	DUE FROM FEDERAL AGENCIES	1,848,702.06	-
6	ACCRUAL	-	1,848,702.06
		<u>3,697,404.12</u>	<u>3,697,404.12</u>
<b>NON-APPROPRIATED - FIDUCIARY FUND</b>			
	<b>NAF-1 AJE To correct double recorded receipts</b>		
5100	Cash	-	2,472.42
8100	Revenue	<u>2,472.42</u>	-
		<u>2,472.42</u>	<u>2,472.42</u>

Guam Department of Education  
 Summary of Uncorrected Misstatements  
 9/30/2012

<i>Government-wide</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
		Assets	Liabilities	Fund Balance, Net Assets,	Income Statement
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-Claims payable			(330,000)		330,000
PAJE 2 KNOWN-Claims payable			(240,869)		240,869
<b>Total Known Misstatements</b>		0	(570,869)		570,869

<i>General Fund</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
		Assets	Liabilities	Fund Balance, Net Assets,	Income Statement
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-To reconcile to AP Subsidiary			(761,842)		761,842
PAJE 2 KNOWN-To record overstatement of PY unfunded liabilities			100,000		(100,000)
PAJE 3 KNOWN-To record understatement of expenditures			(75,101)		75,101
PAJE 4 KNOWN-To record overstatement of PY unfunded liabilities			102,370		(102,370)
<b>Total Known Misstatements</b>		0	(634,573)		634,573
<b>Current-Year Likely Misstatements</b>					
Likely Misstatements (Excluding Extrapolated Items)					
<b>Subtotal - Likely Misstatements (Excluding Extrapolated Items)</b>		0	0		0
<b>Total Likely Misstatements</b>		0	0		0
<b>Total Known + Likely Current-Year Misstatements</b>		0	(634,573)		634,573

<i>Federal Grants Fund</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
		Assets	Liabilities	Fund Balance, Net Assets,	Income Statement
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-To adjust for understatement of accruals		308,742	(308,742)		308,742
PAJE 2 KNOWN-To adjust for understatement of payroll expenditures		200,461	(200,461)		(308,742)
<b>Total Known Misstatements</b>		509,203	(509,203)		200,461
<b>Current-Year Likely Misstatements</b>					
Likely Misstatements (Excluding Extrapolated Items)					
<b>Subtotal - Likely Misstatements (Excluding Extrapolated Items)</b>		0	0		0
<b>Total Likely Misstatements</b>		0	0		0
<b>Total Known + Likely Current-Year Misstatements</b>		509,203	(509,203)		0



## DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

www.gdoe.net  
P.O. Box D.E., Hagatña, Guam 96932  
Telephone: (671)475-0457 or 300-1547/1536 • Fax: (671)472-5001  
Email: jonfernandez@gdoe.net



**JON J. P. FERNANDEZ**  
Superintendent of Education

June 29, 2013

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913

We are providing this letter in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (the "GDOE"), as of and for the year ended September 30, 2012, which collectively comprise the GDOE's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances, and cash flows of the GDOE in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the governmental activities, each major fund, and the aggregate remaining fund information, in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional information and supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statements preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general-purpose governments obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a

reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
  - a. The financial statements properly disclose all other related organizations.
  - b. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - c. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards section 2200.153 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
  - d. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  - e. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - f. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - g. Interfund, internal, and intra-GDOE activity and balances have been appropriately classified and reported.
  - h. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - i. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - j. Required supplementary information is measured and presented within prescribed guidelines.
  - k. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - l. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. The GDOE has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The GDOE has provided you:

- a. Public Laws as enacted by the Guam Legislature.
- b. Minutes of the meetings of the Guam Education Board (GEB) from October 2011 through the date of this letter, which meetings were held on the following dates:

October 19, 2011	August 29, 2012
November 30, 2011	September 26, 2012
December 21, 2011	October 25, 2012
January 12, 2012	November 21, 2012
January 25, 2012	December 20, 2012
February 17, 2012	January 4, 2013
February 29, 2012	January 31, 2013
March 20, 2012	February 27, 2013
April 9, 2012	March 19, 2013
April 25, 2012	April 23, 2013
May 16, 2012	May 21, 2013
June 20, 2012	

- c. Minutes of the meetings of Education Financial Support Commission (EFSC) from October 2011 through the date of this letter, which meetings were held on the following dates:

October 31, 2011	August 16, 2012
November 30, 2011	August 30, 2012
December 16, 2011	September 21, 2012
December 28, 2011	October 31, 2012
January 25, 2012	December 21, 2012
February 25, 2012	January 23, 2013
March 29, 2012	February 27, 2013
April 25, 2012	March 26, 2013
May 31, 2012	April 24, 2013
June 13, 2012	May 22, 2013
July 18, 2012	

- d. Financial records and related data for all financial transactions of the GDOE and for all funds administered by the GDOE. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the GDOE and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - e. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
- a. Action taken by GDOE management that contravenes the provisions of federal laws and Guam laws and regulations or of contracts and grants applicable to the GDOE, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
  - b. Communication from other regulatory agencies concerning noncompliance with or

deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, except for the United States of Department of Education Federal Fiscal year (FFY) 2012 Special Conditions dated June 10, 2013.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2012 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
7. The GDOE has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GDOE and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the GDOE involving:
  - a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others if the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the GDOE received in communications from employees, former employees, analysts, regulators, or others except for communications from GDOE's internal auditors that have been provided you concerning NAF activities.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*, except as disclosed in Note 5 to the financial statements.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for compliance with local, state, and federal laws, rules, and regulations,

including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the GDOE's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The GDOE is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

14. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. We have:
  - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated June 2012.
  - b. Complied, in all material respects, with the requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
  - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
  - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through GDOE, as applicable.
  - e. Monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
  - f. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
  - g. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records.

- h. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
  - i. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through Entities
  - j. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
17. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
18. We have included in the corrective action plan for current-year findings, the name of the person in our organization responsible for implementation of the actions, the best actions to be taken, and the estimate of a completion date. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
19. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
20. No organizations were identified that meet the criteria established in GASB Codification of Government Accounting and Financial Reporting Standards Section 2100, *Defining the Financial Reporting GDOE*.

Except where otherwise stated below, matters less than \$580,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

21. We understand accounts payable was tested using statistical or other sampling techniques and that certain errors in recording liabilities and expenditures as of September 30, 2012, were found by you in the sample items selected. The effect of the factual errors identified has been included in the summary of uncorrected misstatements attached to this letter as Appendix A. We also understand that to estimate the total amount of errors in accounts payable and expenditures, a mathematical projection of the errors has been computed, which results in an understatement of accounts payable of \$233,530 and a potential understatement of expenditures of \$233,530 for the year ended September 30, 2012. Only additional testing and verification by either the Department or you would produce a more accurate estimate of the errors within the accounts payable and expenditures. Such potential understatement is not included as part of Appendix A. Based on our judgment of materiality of understatement, we believe the effects of such potential unrecorded errors, as well as the effects when considered with the items in Appendix A, are immaterial to the financial statements taken as a whole.
22. Except as listed in Appendix A, and Appendix B, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

23. The GDOE has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
24. Regarding related parties:
  - a. We have disclosed to you the identity of GDOE's related parties and all the related party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
25. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
  - b. The effect of the change would be material to the financial statements.
26. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
27. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you.
28. The GDOE has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The GDOE has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.

Deloitte & Touche, LLP

June 29, 2013

Page 8 of 11

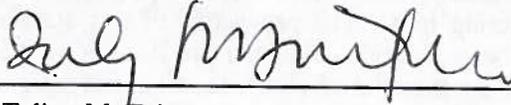
30. No division of the GDOE has reported a material instance of noncompliance to us, except as disclosed in the Schedule of Findings and Questioned Costs Section of your Independent Auditor's Reports on Internal Control and on Compliance.
31. No events have occurred after September 30, 2012, but before the date of this letter, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
32. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information
  - b. The required supplementary information is measured and presented in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period
33. Regarding supplementary information:
  - a. We are responsible for the fair presentation of the supplementary information in accordance with GASB Codification of Government Accounting and Financial Reporting Standards 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification of Government Accounting and Financial Reporting Standards Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information has not changed from those used in the prior period.
34. Management has disclosed whether, subsequent to September 30, 2011, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred.
35. The GDOE is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the GDOE reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in the past three fiscal years.
36. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

37. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
38. Receivables recorded in the financial statements represent valid claims against debtors for appropriations or grants arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
39. We believe that all expenditures that have been deferred for future periods are recoverable.
40. We believe that the actuarial assumptions and methods used to measure pension costs for financial accounting purposes are appropriate in the circumstances.
41. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
42. We have no intention of terminating any of our pension plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
43. During fiscal year 2012, GDOE implemented the following pronouncements:
  - GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.
  - GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.
44. GDOE will adopt the following pronouncements during the year ending September 30, 2013 and after:
  - In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GDOE.
  - In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the

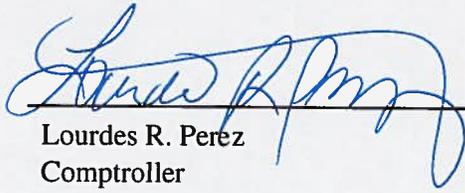
requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GDOE.

- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GDOE.
- In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.
- In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.
- In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GDOE.

  
\_\_\_\_\_  
Jon J.P. Fernandez  
Superintendent of Education

  
\_\_\_\_\_  
Taling M. Taitano  
Deputy Superintendent of Finance and Administrative  
Services

Deloitte & Touche, LLP  
June 29, 2013  
Page 11 of 11



---

Lourdes R. Perez  
Comptroller

Guam Department of Education  
 Summary of Uncorrected Misstatements  
 9/30/2012

APPENDIX A

<i>Government-wide</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
	Assets	Liabilities	Fund Balance, Net Assets,	Income Statement	
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-Claims payable		(330,000)		330,000	
PAJE 2 KNOWN-Claims payable		(240,869)		240,869	
<b>Total Known Misstatements</b>	0	(570,869)		570,869	
<i>General Fund</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
	Assets	Liabilities	Fund Balance, Net Assets,	Income Statement	
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-To reconcile to AP Subsidiary		(761,842)		761,842	
PAJE 2 KNOWN-To record overstatement of PY unfunded liabilities		100,000		(100,000)	
PAJE 3 KNOWN-To record understatement of expenditures		(75,101)		75,101	
PAJE 4 KNOWN-To record overstatement of PY unfunded liabilities		102,370		(102,370)	
<b>Total Known Misstatements</b>	0	(634,573)		634,573	
<b>Current-Year Likely Misstatements</b>					
Likely Misstatements (Excluding Extrapolated Items)					
<b>Subtotal - Likely Misstatements (Excluding Extrapolated Items)</b>	0	0		0	
<b>Total Likely Misstatements</b>	0	0		0	
<b>Total Known + Likely Current-Year Misstatements</b>	0	(634,573)		634,573	
<i>Federal Grants Fund</i>		Correcting Entry			
Summary of Misstatements		Balance Sheet			
	Assets	Liabilities	Fund Balance, Net Assets,	Income Statement	
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	
<b>Current-Year Known Misstatements</b>					
PAJE 1 KNOWN-To adjust for understatement of accruals	308,742	(308,742)		308,742	
PAJE 2 KNOWN-To adjust for understatement of payroll expenditures	200,461	(200,461)		(308,742)	
				200,461	
<b>Total Known Misstatements</b>	509,203	(509,203)		(200,461)	
<b>Current-Year Likely Misstatements</b>					
Likely Misstatements (Excluding Extrapolated Items)					
<b>Subtotal - Likely Misstatements (Excluding Extrapolated Items)</b>	0	0		0	
<b>Total Likely Misstatements</b>	0	0		0	
<b>Total Known + Likely Current-Year Misstatements</b>	509,203	(509,203)		0	

Guam Department of Education  
 Summary of Prior Year Uncorrected Misstatements  
 September 30, 2012

APPENDIX B

<b>General Fund</b> Summary of Misstatements	TM or WP REF	<b>Correcting Entry</b>				<b>Total</b>
		<b>Balance Sheet</b>				<b>Total Should Equal 0</b>
		Assets Dr (Cr)	Liabilities Dr (Cr)	Balance, Net Assets, or Equity Dr (Cr)	Income Statemen t Dr (Cr)	
<b><u>Carryover Effects of Prior-Year Misstatements</u></b>						
<b>Known Misstatements:</b>						
To reconcile to AP subsidiary					690,618	
<b>Total:</b>				0	690,618	
<b>Likely Misstatements:</b>						
To record understatement of accounts payable					223,857	
<b>Total:</b>				0	223,857	
<b><u>Government wide</u></b>						
<b><u>Carryover Effects of Prior-Year Misstatements</u></b>						
<b>Known Misstatements:</b>						
Claims payable					150,000	
<b>Total:</b>				0	150,000	
<b>Likely Misstatements:</b>						
<b>Total:</b>				0	0	



# DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

www.gdoe.net

P.O. Box D.E., Hagatña, Guam 96932

Telephone: (671)475-0457 or 300-1547/1536 • Fax: (671)472-5001

Email: jonfernandez@gdoe.net



**JON J. P. FERNANDEZ**  
Superintendent of Education

June 29, 2013

Deloitte & Touche, LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913

Dear Deloitte & Touche, LLP,

We are providing this letter in connection with your audit of the compliance requirements of the federal award programs of the Guam of Education (GDOE) for the year ended September 30, 2012, namely the following major programs:

10.555	Child Nutrition Cluster
15.875	Economic, Social and Political Development of the Territories
84.027/84.391	Special Education Cluster
84.394	SFSF – Education State Grants, Recovery Act
84.402	Consolidated Grants to the Outlying Areas, Recovery Act
84.403	Consolidated Grants to the Outlying Areas
93.600/93.708	Head Start Cluster

1. We are responsible for the compliance with local and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133 and provisions of grants and contracts relating to GDOE's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities, in order to achieve the objectives of: providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
2. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
3. GDOE management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
4. GDOE has made available to you all records and related data for all financial transactions of GDOE and for all funds administered by GDOE. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GDOE and provide the audit trail to be used in a review of accountability. Information presented in federal financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, except as disclosed in the Schedule of Findings and Questioned Costs.

Letter to Deloitte & Touche, LLP  
June 29, 2013

5. GDOE has obligated, expended, received, and used public funds of the Government of Guam in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by local or federal law, except as disclosed in the Schedule of Findings and Questioned Costs.
6. Money or similar assets handled by GDOE on behalf of the Government of Guam or Federal Government have been properly and legally administered, and the accounting and record keeping related thereto is proper, accurate, and in accordance with law, except as disclosed in the Schedule of Findings and Questioned Costs.
7. Regarding the Schedule of Expenditures of Federal Awards (SEFA):
  - a. We confirm that we are responsible for the SEFA.
  - b. We believe the SEFA, including its form and content, is fairly presented in relation to the basic financial statements taken as a whole and in accordance with the requirements of OMB Circular A-133.
  - c. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period.
8. GDOE has identified in the Schedule of Expenditures of Federal Awards all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations.
9. GDOE has identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated June 2012.
10. We have identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
11. GDOE has complied, in all material respects, with the requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
12. We have identified and disclosed interpretations of any compliance requirements that have varying interpretations.
13. GDOE has made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

Letter to Deloitte & Touche, LLP  
June 29, 2013

14. GDOE has certified to federal granting agencies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for lobbying purposes. GDOE has also required all subrecipients of \$100,000 or more of federal funds to make the same certification.
15. GDOE has monitored subrecipient expenditures of federal financial assistance in accordance with applicable laws and regulations.
16. GDOE has taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements.
17. GDOE has considered the results of subrecipients' audits and made any necessary adjustments to GDOE's own books and records.
18. GDOE has identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards including the results of other audits or program reviews.
19. GDOE is responsible for complying, and has complied, with Circular A-133, except as disclosed in the Schedule of Findings and Questioned Costs.
20. GDOE is responsible for and has accurately prepared the Summary Schedule of Prior Audit findings. The schedule contains all findings required to be included by Circular A-133.

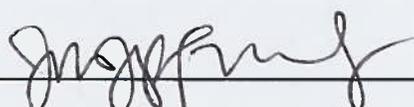
Except where otherwise stated below, matters less than \$10,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

21. GDOE has disclosed whether, subsequent to September 30, 2012, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
22. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GDOE has been discovered.
23. No events have occurred subsequent to September 30, 2012, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes.
24. GDOE has disclosed all contracts or other agreements with the auditee's service organization.
25. GDOE has disclosed all communications from the auditee's third-party service organization relating to noncompliance with the auditee's operations at that service organization.
26. There is no program income in FY 2012 for all major programs listed above, except for CFDA 84.403 Consolidated Grants to the Outlying Areas.

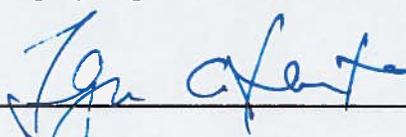
Letter to Deloitte & Touche, LLP  
 June 29, 2013

27. As of September 30, 2012, GDOE's American Recovery and Reinvestment Act (ARRA) expenditures during FY 2012 and related grant award notifications are as follows:

<u>CFDA Number</u>	<u>Grant Amount</u>	<u>FY 2012 Expenditures</u>
10.568	\$ 23,569	\$ 19,888
84.391	510,352	203,025
84.394	75,742,784	9,501,790
84.402	12,206,153	3,585,690
93.708	517,295	28,245
	<u>\$89,215,917</u>	<u>\$13,338,638</u>

  
 \_\_\_\_\_ 6/29/13  
**JON J. P. FERNANDEZ**  
 Superintendent of Education Date

*df*   
 \_\_\_\_\_ 6/29/13  
**TALINO M. TAITANO**  
 Deputy Superintendent, Finance & Administrative Services Date

  
 \_\_\_\_\_ 6/29/13  
**IGNACIO C. SANTOS**  
 Administrator, Federal Programs Date