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June 30, 2020

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

Dear Superintendent Jon Fernandez,

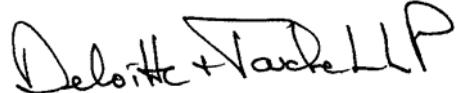
We have performed an audit of the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2019 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated June 30, 2020.

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.

This report is intended solely for the information and use of management, the Office of Superintendent, the Office of Public Accountability of Guam, and others within the organization 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.

Yours truly,

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" and "Touche" connected at the top, and "LLP" at the bottom right.

cc: The Management of the Guam Department of Education

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 September 10, 2019. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express opinions on the fairness of GDOE's respective financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2019 (the "financial statements"), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2019;
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the financial statements 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, 2019, 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 program and on internal control over compliance in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "*Uniform Guidance*").

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GDOE's preparation and fair presentation of the financial statements in order to design audit procedures that were 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 was not designed to 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 the *Uniform Guidance*. Our audit does not, however, provide a legal determination of GDOE's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES

GDOE's significant accounting policies are set forth in Note 1 to GDOE's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GDOE:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

We have evaluated the significant qualitative aspects of GDOE's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

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 ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GDOE's 2019 financial statements includes management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2019, there were no significant changes in accounting estimates or in management's judgements relating to such estimates reflected in GDOE's 2019 financial statements.

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. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements that we presented to management during the current audit engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

MATERIAL CORRECTED 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. We have attached to this letter, as Attachment II, a summary of corrected misstatements that were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GDOE

When audited financial statements are included in documents containing other information such as GDOE's 2019 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 2019 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 2019 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF 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 2019.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, 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.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to GDOE.

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.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GDOE's management about the representations embodied in the financial statements. In addition, 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 Attachment I, a copy of the representation letter we obtained from management.

EMPHASIS-OF-MATTERS***COVID-19***

As discussed in Note 9 to the financial statements, GDOE determined that the COVID-19 pandemic may negatively impact its financial position. However, due to uncertainty surrounding the duration of the state of emergency, GDOE is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Restatement

As discussed in Note 10 to the financial statements, the beginning net position of governmental activities has been restated to correct an error. Our opinion is not modified with respect to this matter.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 30, 2019, 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, 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 30, 2019, involving the GDOE's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance. Within those reports, we noted certain matters that were considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants and the Uniform Guidance. 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 30, 2019, certain deficiencies and other matters related to the GDOE's internal control over financial that we identified during our audit.



**DEPARTMENT OF EDUCATION
INTERNAL AUDIT OFFICE**

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JON J. P. FERNANDEZ
Superintendent of Education

June 30, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973

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 (GDOE), a line agency of the Government of Guam (GovGuam), as of and for the year ended September 30, 2019, which collectively comprise 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, as applicable, of GDOE in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of the governmental activities, each major fund, and the aggregate remaining fund information, in accordance with GAAP.
- b. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes, and we 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 financial statements 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 accordance with GAAP. In addition:
 - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 - b. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
 - c. Deposits are properly classified in the category of custodial credit risk.
 - d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - e. Required supplementary information is measured and presented within prescribed guidelines.
 - f. Other supplementary information is measured and presented within prescribed guidelines.
 - g. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - f. GDOE's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the related net position is properly recognized under the policy.
 - g. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - h. All funds that meet the quantitative criteria in the GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section 2200.159 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.
 - i. 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.
 - j. 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.
 - k. GDOE has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.

- i. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - m. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GDOE has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GDOE has made available to you:
 - a. All minutes of the meetings of the Guam Education Board (GEB) from October 2018 through the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. All minutes of the meetings of the Education Finance Support Commission (EFSC) from October 2018 through the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Public laws enacted by the Guam Legislature directly related to GDOE and GDOE operations.
 - d. All financial 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 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 GDOE.
 - b. Communications with 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.
5. We believe the effects of any uncorrected financial statement misstatements and/or differences in estimating valuations aggregated by you during the current audit engagement and pertaining to the latest period in the current year are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements and differences in estimating valuations 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, 2018 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

7. Management 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 GDOE involving:
 - a. Management.
 - b. Employees who have significant roles in GDOE's internal control.
 - c. Others, where 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 GDOE's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 4F to the financial statements.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. We are responsible for the preparation of the Schedule of Expenditures of Federal Awards in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). We have identified and disclosed all of GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit. 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 Uniform Guidance, and the provisions of grants and contracts relating to GDOE's operations. We are responsible for understanding and complying with the requirements of the federal statutes, regulations, and the terms and conditions of federal awards related to each of GDOE's federal programs. 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.
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 federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
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. No events have occurred subsequent to September 30, 2019, that require consideration as adjustments to or disclosures in the schedule of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
17. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to September 30, 2019.
18. No changes in internal control over compliance or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by GDOE with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2019.
19. Federal awards expenditures have been charged in accordance with applicable cost principles.
20. The Reporting Package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
21. We have disclosed all contracts or other agreements with service organizations.
22. We have disclosed to you all communications from service organizations relating to noncompliance with the requirements of federal statutes, regulations, and terms and conditions of federal awards at those organizations.
23. We have:
 - a. Identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program under audit.
 - b. Complied, in all material respects, with the direct and material compliance requirements identified above in connection with federal awards, except as disclosed in the Schedule of Findings and Questioned Costs.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program 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.

- e. Identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies and pass-through entities concerning possible noncompliance related to the objectives of the audit.
 - f. 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.
 - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
24. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings by federal awarding agency and pass-through entity, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.
25. We are responsible for taking corrective action on audit findings and have developed a corrective action plan that meets the requirements of OMB Uniform Guidance. 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, violation of provisions of contracts or grant agreements, or abuse that you report.
26. 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.
27. We believe that we have properly identified, reported, and classified each component unit of GDOE and each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*. No organizations were identified that meet the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*, except as follows:
- In 2013, a legally separate, tax-exempt entity was established, which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This entity provides financial support as a Foundation of the objectives, purpose and programs of GDOE. Although GDOE does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of GDOE. As the resources held by the Foundation can only be used by, or for the benefit of GDOE, the Foundation is considered a component unit of GDOE. As of September 30, 2019, the Foundation reported minimal collections below \$100,000 therefore omission of the Foundation is not considered material to the financial statements of GDOE.

Except where otherwise stated below, immaterial matters less than \$3,000,000 collectively for governmental activities, \$1,500,000 collectively for the General Fund, \$650,000 collectively for the Federal Grants Assistance Fund, and \$6,000 collectively for the aggregate remaining fund information 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.

28. Except as listed in Appendix A and Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.

29. GDOE has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

30. 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.

31. In preparing the financial statements in accordance with GAAP, 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 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.

32. There are no:

a. Instances of identified or suspected noncompliance with laws, regulations, or provisions of contracts or grant agreements whose effects should be considered when preparing the financial statements, or other instances that warrant the attention of those charged with governance.

b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.

c. Known actual or likely instances of abuse that have occurred that could be quantitatively or qualitatively material to the financial statements.

d. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 4F to the financial statements.

33. 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.

34. GDOE has complied with all aspects of contractual agreements that may affect the financial statements.
35. No department or agency of GDOE has reported a material instance of noncompliance to us.
36. GDOE has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
37. Other than those described in Note 9 to the financial statements, no events have occurred after September 30, 2019, but before June 30, 2020 the *date through which subsequent events were evaluated*, the date the financial statements were issued that require consideration as adjustments to, or disclosures in, the financial statements.
38. 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 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.
39. Regarding supplementary information:
 - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification 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.
40. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
41. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
42. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
43. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
44. We believe that all expenditures that have been deferred to future periods are recoverable.

45. We have disclosed to you all new or changes to the existing pension, other postretirement benefit, and deferred compensation.
46. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Codification Section P20, *Pension Activities — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
47. We believe that the actuarial assumptions and methods used to measure postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. These amounts have been appropriately recognized and displayed as assets, liabilities, and, where applicable, net position and changes in net position in the financial statements in accordance with GASB Codification Section P50, *Postemployment Benefits Other than Pensions — Reporting for Benefits Provided through Trusts That Meet Specified Criteria — Defined Benefit*.
48. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.
49. We have no intention of terminating any of our pension 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 to which we contribute.
50. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by GDOE has been discovered
51. GDOE has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by local, state, 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, state, or federal law.
52. GDOE is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors or 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, GDOE management believes it is more economical to manage its risks internally. In the event of claim settlements and judgements, 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 risk in the past four years.

53. During the year ended September 30, 2019, GDOE implemented the following pronouncements:
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
 - GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.
- The implementation of these statements did not have a material effect on GDOE's financial statements.
54. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
55. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.
56. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
57. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
58. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

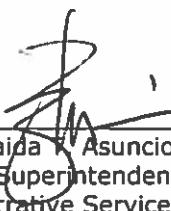
59. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.
60. Subsequent to the issuance of GDOE's 2018 financial statements, GDOE's management determined that capital lease assets and related capital lease liabilities were overstated by \$21,292,187 and \$16,292,200, respectively. As a result of this determination, beginning net position of governmental activities has been restated by \$4,999,987.



Jon J.P. Fernandez
Superintendent of Education



Lourdes R. Perez
Comptroller



Dr. Zenaida V. Asuncion
Deputy Superintendent for Finance and
Administrative Services



Franklin J.T. Cooper-Nurse
Chief Internal Auditor

APPENDIX A

**Guam Department of Education
SUMMARY OF UNCORRECTED MISSTATEMENTS
September 30, 2019**

General Fund		Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
Entry Description	Type of Entry	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
To correct overstatement of deposit	Factual	(4,896,253)			4,896,253
To correct overstatement of accounts payable	Factual		678,991		(678,991)
To correct overstatement of accounts payable	Judgmental		789,031		(789,031)
		(4,896,253)	1,468,022		3,428,231

APPENDIX B

**Guam Department of Education
SUMMARY OF PRIOR YEAR UNCORRECTED MISSTATEMENTS
September 30, 2018**

General Fund		Balance Sheet			Income Statement
		Assets	Liabilities	Net Position at Beg of Year	Expenditures (Income)
Entry Description	Type of Entry	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
To correct overstatement of deposit	Factual	(5,761,403)			5,761,403
		(5,761,403)			5,761,403



**DEPARTMENT OF EDUCATION
INTERNAL AUDIT OFFICE**

501 Mariner Avenue, Barrigada, Guam 96913
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JON J. P. FERNANDEZ
Superintendent of Education

June 30, 2020

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

Guam GDOE of Education (GDOE) is providing this letter in connection with your audit of the compliance requirements of the following federal award programs of GDOE for the year ended September 30, 2019:

12.000	Junior Reserve Officer Training Corp Program
84.027/84.173	Special Education Cluster (IDEA)
84.403	Consolidated Grant to the Outlying Areas

1. GDOE acknowledges and understands that GDOE is responsible for the preparation and fair presentation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). GDOE has included expenditures made during the period being audited for all awards provided by federal agencies or pass-through entities in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance, if any. In addition, GDOE has accurately completed the appropriate sections of the data collection form.
2. GDOE believes the SEFA, including its form and content, is fairly presented in accordance with the OMB Uniform Guidance.
3. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and there are no significant assumptions or interpretations underlying the measurement or presentation of the SEFA.
4. GDOE confirms that when the SEFA is not presented with the audited financial statements, GDOE will make the audited financial statements readily available to the intended users of the SEFA no later than GDOE's issuance date and the auditors' report thereon.

5. We are responsible for compliance with Guam and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133 and OMB Uniform Guidance, and the provisions of grants and contracts relating to GDOE's operations. We are responsible for understanding and complying with the requirements of the federal statutes, regulations, and the terms and conditions of federal awards related to each of GDOE's federal programs. 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.
6. 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 federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
7. No subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period have occurred subsequent to September 30, 2019.
8. No instances of noncompliance with direct and material compliance requirements have occurred subsequent to September 30, 2019.
9. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by GDOE with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2019.
10. GDOE management has charged costs to federal awards in accordance with applicable cost principles.
11. The reporting package submitted to the Federal Audit Clearinghouse (FAC) as defined by the OMB Uniform Guidance section 2CFR200.512(3)(c) does not contain protected personally identifiable information.
12. 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.
13. GDOE has made available to you all financial records and related data for all financial transactions of 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 in federal financial reports and claims for advances and reimbursements is supported by the books and records from which the financial statements have been prepared, except as disclosed in the Schedule of Findings and Questioned Costs.
14. The GDOE has obligated, expended, received, and used public funds of the Government of Guam or Federal Government in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law, except as disclosed in the Schedule of Findings and Questioned Costs.

15. Money or similar assets handled by the 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.
16. GDOE has identified and disclosed all of GDOE's government programs and related activities subject to the OMB Uniform Guidance compliance audit.
17. GDOE has made available all federal awards and subawards, including amendments, if any, and any other correspondence related to federal programs and related activities that have taken place with federal agencies or pass-through entities.
18. GDOE has identified and disclosed to you the requirements of federal statutes, regulations, and terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program under audit.
19. 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.
20. GDOE has complied, in all material respects, with the direct and material requirements identified above in connection with federal awards.
21. We have identified and disclosed interpretations of any compliance requirements that have varying interpretations.
22. GDOE has made available all documentation related to compliance with direct and material requirements, including information related to federal program 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.
23. GDOE had no subrecipients for the year ended September 30, 2019.
24. GDOE has identified and disclosed all amounts questioned and all known noncompliance with direct and material compliance requirements of federal awards, including the results of other audits, program reviews, or any communications from federal awarding agencies or pass-through entities concerning possible noncompliance related to the objectives of the audit.
25. GDOE is responsible for follow-up on all prior-years' findings. We have prepared a summary schedule of prior-year findings by federal awarding agencies and pass-through entities, including all management decisions, to report the status of our efforts in implementation of the prior-year's corrective action plan. The summary schedule of prior audit findings includes all findings required to be included in accordance with OMB Uniform Guidance.

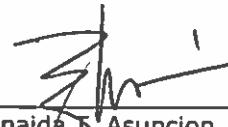
26. GDOE is responsible for taking corrective action on audit findings and has developed a corrective action plan that meets the requirements of OMB Uniform Guidance. We have included in the corrective action plan for current-year findings the name of the person in GDOE responsible for implementation 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.

Except where otherwise stated below, matters less than \$25,000 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.

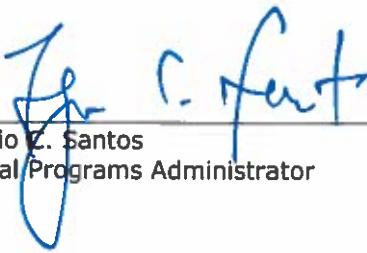
27. No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to September 30, 2019.
28. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the GDOE has been discovered.
29. No events have occurred subsequent to September 30, 2019, that require consideration as adjustments to or disclosures in the schedule of expenditures of federal awards and related notes or that existed at the end of the reporting period that affect noncompliance during the reporting period.
30. GDOE has disclosed all contracts or other agreements with GDOE's service organization.
31. GDOE has disclosed all communications from GDOE's third-party service organization relating to noncompliance with the auditee's operations at that service organization.



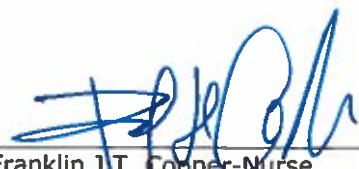
Jon J.P. Fernandez
Superintendent of Education



Dr. Zenaida T. Asuncion
Deputy Superintendent for Finance and
Administrative Services



Ignacio C. Santos
Federal Programs Administrator



Franklin J.T. Cooper-Nurse
Chief Internal Auditor

**Guam Department of Education
Summary of Corrected Misstatements
September 30, 2019**

Name	Debit	Credit
1 AJE To adjust sick and annual leave balances		
EMPLOYEE BENEFITS	176,233	
DEF.CONTRIB.RETIRE/SICK		321,618
ACCRUED ANNUAL LEAVE	145,385	
	<u>321,618</u>	<u>321,618</u>
2 AJE To adjust capital leases and related assets		
CAPITAL LEASE	23,192,705	
AMT TO BE PROVIDED-C.LEASE		23,067,705
DEFERRED MAINT. COST		125,000
FIXED ASSETS-BUILDINGS		16,560,988
ACCUM. DEPR-BUILDINGS	3,880,096	
FIXED ASSETS - LAND		8,076,320
FIXED ASSET CONTROL	<u>20,757,212</u>	<u>47,830,013</u>
3 AJE To adjust net pension liability		
NET PENSION LIABILITY	990,351	
DEFERRED INFLOWS OF RESOURCES	1,292,879	
AMT TO BE PROVIDED-NET PENSION		3,078,409
DEFERRED OUTFLOWS OF RESOURCES	795,179	
	<u>3,078,409</u>	<u>3,078,409</u>
4 AJE To adjust OPEB liability		
OTHER POST-EMPLOYMENT BENEFITS	176,940,435	
OPEB DEFERRED OUTFLOW OF RESOURCE		15,028,528
OPEB DEF. INFLOWS OF RESOURCE		166,501,044
OPEB AMT TO BE PROVIDED	4,589,137	
	<u>181,529,572</u>	<u>181,529,572</u>