

**GUAM DEPARTMENT OF EDUCATION**

**(A LINE AGENCY OF THE  
GOVERNMENT OF GUAM)**

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**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 2018**

**GUAM DEPARTMENT OF EDUCATION**

SINGLE AUDIT REPORTS  
Year Ended September 30, 2018

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Mr. Jon Fernandez  
Superintendent of Education  
Guam Department of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2018, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements, and have issued our report thereon dated May 14, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered GDOE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GDOE's internal control. Accordingly, we do not express an opinion on the effectiveness of GDOE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

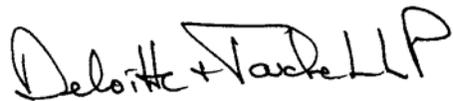
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether GDOE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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May 14, 2019

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Mr. Jon Fernandez  
Superintendent of Education  
Guam Department of Education:

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

We have audited the Guam Department of Education's (GDOE's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GDOE's major federal programs for the year ended September 30, 2018. GDOE's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of GDOE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GDOE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of GDOE's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, GDOE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

GDOE's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. GDOE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

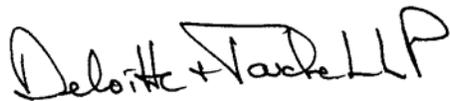
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be significant deficiencies.

GDOE's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. GDOE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of GDOE as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements. We issued our report thereon dated May 14, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

May 14, 2019

**GUAM DEPARTMENT OF EDUCATION**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
Direct:				
Professional Standards for School Nutrition Employees	10.547			\$ (6,098)
Child Nutrition Cluster:				
National School Lunch Program (NSLP)	10.555			<u>12,527,594</u>
Child Nutrition Cluster Subtotal			\$ 221,920	<u>12,527,594</u>
Child and Adult Care Food Program	10.558		19,417	41,360
State Administrative Expenses for Child Nutrition	10.560			288,364
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568			<u>62,938</u>
Food Distribution Cluster Subtotal				62,938
Farm to School Implementation Grant	10.575			4,882
Child Nutrition Discretionary Grants Limited Availability	10.579			1,012,380
Fresh Fruit and Vegetable Program	10.582			62,239
Child Nutrition Direct Certification	10.589			<u>(5,274)</u>
Total U.S. Department of Agriculture			\$ <u>241,337</u>	\$ <u>13,988,385</u>
<b>U.S. DEPARTMENT OF DEFENSE:</b>				
Direct:				
Army JROTC	12.000			\$ 276,854
Air Force JROTC	12.000			148,422
Marine JROTC	12.000			<u>51,001</u>
Total U.S. Department of Defense				\$ <u>476,277</u>
<b>U.S. DEPARTMENT OF THE INTERIOR:</b>				
Pass-Through Government of Guam - Department of Administration:		778904292		
Economic, Social, and Political Development of the Territories	15.875			\$ 1,278,308
Municipal School Leaseback	15.875			<u>7,661,550</u>
Total U.S. Department of the Interior				\$ <u>8,939,858</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
Direct:				
Special Education Cluster (IDEA):				
Special Education-Grants to States (IDEA, Part B)	84.027			\$ <u>13,472,870</u>
Special Education Cluster (IDEA) Subtotal				13,472,870
Impact Aid	84.041			1,580
Special Education-Grants for Infants and Families	84.181			1,622,894
Territories and Freely Associated States Education Grant Program	84.256			380,241
Striving Readers / Comp. Literacy Development	84.371			21,017
Consolidated Grant to the Outlying Areas	84.403			<u>25,930,318</u>
Total U.S. Department of Education				\$ <u>41,428,920</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Direct:				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079			\$ 1,457
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			257,602
Head Start	93.600			<u>3,026,814</u>
Total U.S. Department of Health and Human Services				\$ <u>3,285,873</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Pass-Through Government of Guam - Department of Administration:		000-U2-DMO-00		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			\$ <u>74,251</u>
Total U.S. Department of Homeland Security				\$ <u>74,251</u>
Total Federal Awards Expended			\$ <u>241,337</u>	\$ <u>68,193,564</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

## GUAM DEPARTMENT OF EDUCATION

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

1. Scope of Audit:

The Guam Department of Education (GDOE) is a line agency of the Government of Guam, a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. Only the operations of GDOE are included within the scope of the Single Audit.

2. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of GDOE under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of GDOE, it is not intended to and does not present the financial position, changes in net position or cash flows of GDOE.

3. Summary of Significant Accounting Policies:

a. Basis of Accounting:

GDOE is named as the federal award recipient on federal award documents and is responsible for maintaining the accounting records for federal expenditures. All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which GDOE maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. GDOE does not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

b. Subgrants:

Certain program funds are passed through GDOE to subrecipient organizations. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients outside of GDOE's control utilized the funds. If the subrecipient expends \$750,000 or more in federal awards, the subrecipient separately satisfies the audit requirements of the Uniform Guidance.

4. High-Risk Grantee Status:

GDOE is designated a high-risk grantee by the U.S. Department of Education.

5. CFDA Number 10.547:

Expenditures for CFDA number 10.547 in the amount of \$(6,098) were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were not funded by the Professional Standards for School Nutrition Employees program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

## GUAM DEPARTMENT OF EDUCATION

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

6. CFDA Number 10.555:

Expenditures for CFDA number 10.555 include expenditures for both the National School Lunch Program and the School Breakfast Program, which is listed in the CFDA index as CFDA number 10.553. Only CFDA number 10.555 is presented in the Schedule as the U.S. Department of Agriculture awarded Child Nutrition Program funds under the one CFDA number in its Grant Award Document. Expenditures in the amount of \$30,696 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the National School Lunch Program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

7. CFDA Number 10.558:

Expenditures for CFDA number 10.558 in the amount of \$4,832 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the Child and Adult Care Food Program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

8. CFDA Number 10.560:

Expenditures for CFDA number 10.560 in the amount of \$18,877 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the State Administrative Expenses for Child Nutrition program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

9. CFDA Number 10.568:

Expenditures for CFDA number 10.568 in the amount of \$(12,584) were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were not funded by the Emergency Food Assistance Program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

10. CFDA Number 10.579:

Expenditures for CFDA number 10.579 in the amount of \$6,875 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the Child Nutrition Discretionary Grants Limited Availability program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

11. CFDA Number 10.582:

Expenditures for CFDA number 10.582 in the amount of \$33,545 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the Fresh Fruit and Vegetable Program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

## GUAM DEPARTMENT OF EDUCATION

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

#### 12. CFDA Number 10.589:

Expenditures for CFDA number 10.589 in the amount of \$(5,274) were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were not funded by the Child Nutrition Direct Certification program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

#### 13. CFDA Number 15.875:

Expenditures for CFDA number 15.875 include prepayments in the amount of \$35,651. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

#### 14. CFDA Number 97.036:

Expenditures for CFDA number 97.036 in the amount of \$74,251 were previously reported in GDOE's General Fund and have been included in the Schedule for purposes of reporting that such expenditures were funded by the Disaster Grants – Public Assistance program. This is a reconciling item between GDOE's Federal Grants Assistance Fund expenditures and the Schedule for the year ended September 30, 2018.

## GUAM DEPARTMENT OF EDUCATION

### Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2018

	<u>Expenditures</u>
Federal contributions, as reported in the 2018 financial statements:	
GDOE's Federal Grants Assistance Fund expenditures	\$ 67,536,516
<u>CFDA Program</u>	
10.547 Professional Standards for School Nutrition Employees	(6,098)
10.555 National School Lunch Program	30,696
10.558 Child and Adult Care Food Program	4,832
10.560 State Administrative Expenses for Child Nutrition	18,877
10.568 Emergency Food Assistance Program	(12,584)
10.579 Child Nutrition Discretionary Grants Limited Availability	6,875
10.582 Fresh Fruit and Vegetable Program	33,545
10.589 Child Nutrition Direct Certification	(5,274)
12.000 Army JROTC	276,854
12.000 Air Force JROTC	148,422
12.000 Marine JROTC	51,001
15.875 Economic, Social, and Political Development of the Territories	35,651
97.036 Disaster Grants – Public Assistance	<u>74,251</u>
Total Federal Expenditures Subject to Audit	\$ <u>68,193,564</u>

**GUAM DEPARTMENT OF EDUCATION**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2018

**Section I – Summary of Auditors’ Results**

*Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| Internal control over financial reporting:   |               |
| 2. Material weakness(es) identified?   | No            |
| 3. Significant deficiency(ies) identified?   | None reported |
| 4. Noncompliance material to financial statements noted?   | No            |

*Federal Awards*

Internal control over major federal programs:

- |   |            |
|---|------------|
| 5. Material weakness(es) identified?  | No         |
| 6. Significant deficiency(ies) identified?  | Yes        |
| 7. Type of auditors’ report issued on compliance for major federal programs:                          | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        |
| 9. Identification of major federal programs:  |            |

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
<u>Numbers</u>	
10.579	Child Nutrition Discretionary Grants Limited Availability
84.027	Special Education-Grants to States
84.403	Consolidated Grant to the Outlying Areas

- |  |             |
|--|-------------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$2,045,807 |
| 11. Auditee qualified as low-risk auditee?                                   | No          |

**Section II – Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

<u>Reference</u>	<u>CFDA</u>	<u>Findings</u>	<u>Questioned</u>
<u>Number</u>	<u>Number</u>		<u>Costs</u>
2018-001	84.027	Equipment and Real Property Management	\$ -
2018-001	84.403	Equipment and Real Property Management	_____ -
		Total Federal Questioned Costs	\$ _____ -

**GUAM DEPARTMENT OF EDUCATION**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2018

Finding No.: 2018-001  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.027 Special Education-Grants to States  
 CFDA Program: 84.403 Consolidated Grant to the Outlying Areas  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$0

Criteria:

In accordance with applicable equipment and real property management requirements, a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Condition:

Based on the 2018 GDOE Total Fixed Asset Inventory – Detailed Summary report, we noted GDOE also accounts for tangible personal property other than equipment (e.g., computing devices). GDOE identified missing and stolen property out of 29,228 items, aggregating \$531,327,038, as follows:

1. 71 items (or 0.2%), totaling \$75,389 in acquisition costs, with a net book value of \$6,274, could not be located at the time of GDOE’s physical inventory.
2. 612 items (or 2%), totaling \$485,405 in acquisition costs, with a net book value of \$30,027, were classified as stolen, and property records in GDOE’s financial management system indicate a police report number or case filing number for such items, which include computers, laptops, notebooks, tablets, printers, cameras, and projectors, lcd tvs, and air conditioners.

Of the 612 items, federal and local funding were impacted, as follows:

<u>Funding Source</u>	<u>Acquisition Years</u>	<u>Acquisition Cost</u>	<u>Quantity</u>	<u>Net Book Value</u>
CFDA 84.027	FY2007-FY2016	\$ 21,524	27	\$ 1,958
CFDA 84.403	FY2008-FY2017	120,705	136	12,945
Other US ED	FY2007-FY2017	181,246	195	2,899
Other Federal	FY2007-FY2015	17,727	28	573
Local	FY2003-FY2017	127,451	201	9,115
Unknown	FY2007-FY2017	<u>16,752</u>	<u>25</u>	<u>2,537</u>
		\$ <u>485,405</u>	<u>612</u>	\$ <u>30,027</u>

Cause:

Although GDOE’s policies recognize the risk associated with “Pilferage Items,” the corresponding procedures for annual inventories do not appear to sufficiently address the higher risk of loss or theft of such property.

Effect:

Likely fraud affecting federal awards relative to the safeguarding of property may result from this matter. No questioned cost is presented as likely questioned costs for each major program are below \$25,000.

## GUAM DEPARTMENT OF EDUCATION

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2018

Finding No.: 2018-001, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.027 Special Education-Grants to States  
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

#### Recommendation:

GDOE should consider revisiting internal control procedures over the safeguarding of property, including enforcing SOP#200-015 Fixed Asset Management for Property Management Office and Central Receiving Warehouse and SOP#200-019 Fixed Asset Management for Schools and Divisions, and implementing recommendations identified by GDOE in its Physical Inventory Summary, Spring 2018, such as regular status updates of fixed assets in classrooms, centralized distribution and storage of technology assets, stolen asset analysis, disciplinary action plan, monitoring of retired assets, missing asset reduction, and continuous training and management collaboration. Furthermore, GDOE should consider risk-rating property and performing more frequent periodic monitoring of items assessed as being at higher risk of loss, damage, or theft.

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

GDOE disagrees with the finding, but also plans to make updates to its Standard Operating Procedures. See full response in GDOE's Corrective Action Plan.

#### Auditor Response:

GDOE's response does not dispute the facts cited in the condition, and the Uniform Guidance requires the reporting of known or likely fraud affecting a Federal award.



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

**DEPARTMENT OF EDUCATION  
INTERNAL AUDIT OFFICE**

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**FRANKLIN  
COOPER-NURSE**  
Chief Internal Auditor

**GUAM DEPARTMENT OF EDUCATION  
Corrective Action Plan  
Year Ended September 30, 2018**

Finding No.: 2018-001  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.027 Special Education-Grants to States  
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

Views of Auditee and Corrective Actions:

The Guam Department of Education (GDOE) disagrees with the finding.

The GDOE has controls in place to safeguard against loss, damage or theft as well as investigate any items lost or stolen. As the conditions point out, only .2% of the fixed asset inventory could not be located and only 2% of the inventory was classified as stolen for a total of \$560,794 or .106% of total acquisition cost.

The GDOE has “hardened” rooms in its schools to provide secured storage of technology items. Additionally, security alarms and cameras have been installed in a number of schools as well as the central office buildings and the Receiving Warehouse as a preventive and investigative measure for break-ins and vandalism. Analysis of school break-ins from July 2017 to August 2018 shows that vandalism is the general result and not stolen assets. From the 37 break-ins during that period, eight fixed assets were stolen.

A 100% inventory is taken yearly as opposed to once every two years as required. Once an item is identified as missing, schools and divisions are given 15 days to locate the asset, and if not found, report it as stolen to the police for further investigation. Schools and divisions are rated on the results of their inventory.

Training is conducted at least annually to ensure that schools and divisions understand their role as custodians of fixed assets. Individualized training is provided as requested or needed. The property control officers work with schools or divisions that have high numbers of technology or have had poor ratings in the past inventory to ensure proper documentation of asset movement.

Employees sign receipts for technology. For those that are assigned for individual use, a promissory note to repay acquisition cost for lost or damage items is also signed.

Additionally, the GDOE continues to review its procedures to consider best practices and target high risk areas; and plan to make the following updates to Standard Operating Procedures (SOP):

## GUAM DEPARTMENT OF EDUCATION

### Corrective Action Plan

Year Ended September 30, 2018

Finding No.: 2018-001  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.027 Special Education-Grants to States  
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas  
Area: Equipment and Real Property Management  
Questioned Costs: \$0

#### Views of Auditee and Corrective Actions (Continued):

- Review and update of the list of pilferable items (items below fixed asset threshold that will be part of inventory such as tablets and laptops).
- Update the fixed asset threshold to align with local and federal regulations.
- For schools and divisions that have good internal controls as evidenced by their inventory results, move to a physical inventory once every two years and for schools and divisions with poor controls as evidenced by their inventory results, continue to conduct a physical inventory annually.
- Require regularly scheduled reporting of status of assets by school classroom teachers - at the beginning of each academic quarter and at the end of the school year.
- Clearly state required timeframes for locating missing assets and filing of police reports.
- Clearly emphasize proper use of assets in accordance with grant conditions.
- Require a prompt Custodial site-based investigation into the reason for the lost/damaged/stolen asset.
- Report SOP non-compliance to the GDOE Internal Audit Office and appropriate Deputy.
- Centralize storage and distribution of technology assets. The SOP is currently undergoing the Superintendent's first review.



**JON J. P. FERNANDEZ**  
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**FRANKLIN  
COOPER-NURSE**  
Chief Internal Auditor

GUAM DEPARTMENT OF EDUCATION  
Summary Schedule of Prior Audit Findings and Questioned Costs  
Year Ended September 30, 2018

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Requirement</u>	<u>Questioned Cost</u>	<u>FY 2018 Status</u>
2017-001	-	Reporting	\$ -	Corrective action on-going. The amendment for SOP 200-007 is currently under management review.
2017-002	15.875	Procurement and Suspension and Debarment	\$ 32,260	For conditions 1 to 3 - pending Program Determination Letter from the U.S. Department of Interior.  For condition 4 - corrective action on-going as the draft SOP for small purchases and updates to SOP 200-037 Requisition Entry are under management review. SOP 200-026 Indefinite Quantity Bid was revised in May 31, 2018 with language relative to an option for extending the terms for up to 90 days.
2017-003	84.181	Matching, Level of Effort, Earmarking	\$ -	Pending Program Determination Letter from the U.S. Department of Education. Documentation of IDEA Part C Maintenance of Effort were received from the Department of Public Health and Social Services, Guam Memorial Hospital Authority, Guam Behavioral Health & Wellness Center, and University of Guam in October 2018.
2015-002	93.092	Procurement and Suspension and Debarment	\$ -	The finding does not warrant further action as (a) two years have passed since the audit report was submitted to the Federal Audit Clearinghouse, (b) the Federal Agency is not currently following up on the audit finding, and (c) a management decision was not issued. GDOE recommends closure of Finding.