

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, 2021

GUAM DEPARTMENT OF EDUCATION

SINGLE AUDIT REPORTS  
Year Ended September 30, 2021

CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| Part I. Independent Auditor's 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 | 1           |
| Part II. Independent Auditor's 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  | 3           |
| Part III. Schedule of Expenditures of Federal Awards   | 6           |
| Notes to Schedule of Expenditures of Federal Awards  | 7           |
| Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements   | 9           |
| Part IV. Schedule of Findings and Questioned Costs   | 10          |
| Part V. Corrective Action Plan   | 18          |
| Part VI. Summary Schedule of Prior Audit Findings  | 21          |

## INDEPENDENT AUDITOR'S 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 Guam Department of Education (GDOE) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements, and have issued our report thereon dated May 5, 2022. Our report includes explanatory paragraphs concerning a change in accounting principles and the impact of COVID-19.

### 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) as a basis for designing 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

### 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 financial statements. 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.



## GDOE's Response to Findings

GDOE's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. GDOE's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

A handwritten signature in black ink that reads "Deloitte + Tuckers LLP". The signature is stylized and cursive.

May 5, 2022

INDEPENDENT AUDITOR'S 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 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, 2021. GDOE's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2021.

## Other Matters

The results of our auditing procedures disclosed other 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 items 2021-003 and 2021-004. 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 Schedule of Findings and Questioned Costs. 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.

GDOE is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. GDOE's Corrective Action Plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## 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 items 2021-003 and 2021-004, 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 Schedule of Findings and Questioned Costs. 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.

GDOE is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. GDOE's Corrective Action Plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, 2021, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements. We issued our report thereon dated May 5, 2022, which contained unmodified opinions on those financial statements and included explanatory paragraphs concerning a change in accounting principle and the impact of COVID-19. 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, stylized font.

May 5, 2022

**GUAM DEPARTMENT OF EDUCATION**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title                                  | Federal<br>CFDA Number | Pass-Through<br>Entity Identifying<br>Number | Passed Through<br>to Subrecipients | Federal<br>Expenditures |
|--|------------------------|--|------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>   |                        |  |                                    |                         |
| Direct:  |                        |  |                                    |                         |
| CACFP Meal Training  | 10.534                 |  | \$                                 | 26,825                  |
| Child Nutrition Cluster:   |                        |  |                                    |                         |
| National School Breakfast Program (SBP)  | 10.553                 |  |                                    | -                       |
| National School Lunch Program (NSLP)   | 10.555                 |  | \$ 697,009                         | 13,379,993              |
| Child Nutrition Discretionary Grants Limited Availability                                      | 10.579                 |  |                                    | 21,582                  |
| Subtotal Child Nutrition Cluster   |                        |  |                                    | <u>13,401,575</u>       |
| Child and Adult Care Food Program  | 10.558                 |  | 18,453                             | 69,654                  |
| State Administrative Expenses for Child Nutrition  | 10.560                 |  |                                    | 769,898                 |
| Food Distribution Cluster:   |                        |  |                                    |                         |
| Emergency Food Assistance Program (Administrative Costs)                                       | 10.568                 |  |                                    | 153,643                 |
| COVID 19 Emergency Food Assistance Program (Administrative Costs)                              | 10.568                 |  |                                    | 79,024                  |
| Subtotal Food Distribution Cluster   |                        |  |                                    | <u>232,667</u>          |
| Team Nutrition Training Grant  | 10.574                 |  |                                    | 18,472                  |
| Farm to School Implementation Grant  | 10.575                 |  |                                    | 62,608                  |
| Fresh Fruits and Vegetable Program   | 10.582                 |  |                                    | 45,699                  |
| Total U.S. Department of Agriculture   |                        |  | <u>\$ 715,462</u>                  | <u>\$ 14,627,398</u>    |
| <b>U.S. DEPARTMENT OF DEFENSE:</b>   |                        |  |                                    |                         |
| Direct:  |                        |  |                                    |                         |
| Army JROTC   | 12.000                 |  | \$                                 | 241,611                 |
| Air Force JROTC  | 12.000                 |  |                                    | 58,766                  |
| Marine JROTC   | 12.000                 |  |                                    | 1,050                   |
| Total U.S. Department of Defense   |                        |  |                                    | <u>\$ 301,427</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                 |  | \$                                 | 3,162,070               |
| Municipal School Leaseback   | 15.875                 |  |                                    | 5,737,500               |
| Total U.S. Department of the Interior  |                        |  |                                    | <u>\$ 8,899,570</u>     |
| <b>U.S. DEPARTMENT OF EDUCATION:</b>   |                        |  |                                    |                         |
| Direct:  |                        |  |                                    |                         |
| Special Education Cluster (IDEA):  |                        |  |                                    |                         |
| Special Education-Grants to States (IDEA, Part B)  | 84.027                 |  | \$                                 | 14,715,606              |
| Subtotal Special Education Cluster (IDEA)  |                        |  |                                    | <u>14,715,606</u>       |
| Impact Aid   | 84.041                 |  |                                    | 18,974                  |
| Special Education-Grants for Infants and Families  | 84.181                 |  |                                    | 1,271,237               |
| Project Hita Para M'ona / State Personnel Development  | 84.323                 |  |                                    | 47,248                  |
| Striving Readers / Comp. Literacy Development  | 84.371                 |  |                                    | 200,025                 |
| Statewide Longitudinal Data System   | 84.372                 |  |                                    | 30,466                  |
| Consolidated Grant to the Outlying Areas   | 84.403                 |  |                                    | 31,339,475              |
| Education Stabilization Fund:  |                        |  |                                    |                         |
| COVID-19, Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)   | 84.425A                |  |                                    | 40,348,883              |
| COVID-19, American Rescue Plan - State Agency Educational Agency (Outlying Areas) (ARP-OA SEA) | 84.425X                |  |                                    | 1,447,176               |
| Pass-Through Government of Guam - Department of Administration:                                |                        | 778904292                                    |                                    |                         |
| COVID-19, Education Stabilization Fund - Governors ( Outlying Areas ) (ESF - Governor)         | 84.425H                |  |                                    | 201,278                 |
| Subtotal Education Stabilization Fund:   | 84.425                 |  |                                    | <u>41,997,337</u>       |
| Total U.S. Department of Education   |                        |  |                                    | <u>\$ 89,620,368</u>    |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>   |                        |  |                                    |                         |
| Direct:  |                        |  |                                    |                         |
| Affordable Care Act (ACA) Personal Responsibility Education Program                            | 93.092                 |  | \$                                 | 228,229                 |
| Head Start Cluster:  |                        |  |                                    |                         |
| Head Start   | 93.600                 |  |                                    | 3,081,723               |
| COVID-19/ ARP/CRRSA - Head Start Supplement  | 93.600                 |  |                                    | 183,595                 |
| Subtotal Head Start Cluster  |                        |  |                                    | <u>3,265,318</u>        |
| Total U.S. Department of Health and Human Services   |                        |  |                                    | <u>\$ 3,493,547</u>     |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>   |                        |  |                                    |                         |
| Pass-Through Government of Guam - Department of Administration:                                |                        | 778904292                                    |                                    |                         |
| FEMA - Hazard Mitigation Grant (GDOE Hardening of 7 Emergency Shelters and 8 Schools)          | 97.039                 |  |                                    | 157,441                 |
| Total U.S. Department of Homeland Security   |                        |  |                                    | <u>\$ 157,441</u>       |
| Total Federal Awards Expended  |                        |  | <u>\$ 715,462</u>                  | <u>\$ 117,099,751</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, 2021

1. Scope of Audit:

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 the Guam Department of Education 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, 2021. 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 the Guam Department of Education to subrecipient organizations. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The Schedule does not contain separate schedules disclosing how the subrecipients outside of the Guam Department of Education'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. Assistance Listing Number 10.555:

Expenditures for Assistance Listing Number (ALN) 10.555 include expenditures for both the National School Lunch Program and the School Breakfast Program, which is listed in the Assistance Listing index as ALN 10.553. Only ALN 10.555 is presented in the Schedule as the U.S. Department of Agriculture awarded Child Nutrition Program funds under the one ALN in its Grant Award Document.

GUAM DEPARTMENT OF EDUCATION

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2021

6. Assistance Listing Number 84.425A:

Expenditures for ALN 84.425A in the amount of \$2,318,805 was previously reported in GDOE's General Fund (\$2,020,461), ALN 84.181 (\$56,668), ALN 84.027 (\$109,269), and ALN 84.403 (\$132,407) and have been included in the Schedule for the purpose of reporting that such expenditures were funded by the COVID-19, Education Stabilization Fund – State Education Agency (Outlying Areas) (ESF-SEA). This is a reconciling item between GDOE's Federal Grants Assistance Fund Expenditures and the Schedule for the year ended September 30, 2021.

GUAM DEPARTMENT OF EDUCATION

Reconciliation of Schedule of Expenditures of Federal Awards to  
Basic Financial Statements  
Year Ended September 30, 2021

|  | <u>Expenditures</u>   |
|--|-----------------------|
| Federal contributions, as reported in the 2021 financial statements: |                       |
| Federal Grants Assistance Fund expenditures                          | \$ 74,538,367         |
| Total COVID-19 - Federal Grants Assistance Fund expenditures         | <u>42,259,957</u>     |
|  | <u>116,798,324</u>    |
| <u>Assistance Listing Program</u>                                    |                       |
| 12.000 Army JROTC  | 241,611               |
| 12.000 Air Force JROTC   | 58,766                |
| 12.000 Marine JROTC  | <u>1,050</u>          |
| Total Federal Expenditures Subject to Audit                          | \$ <u>117,099,751</u> |

GUAM DEPARTMENT OF EDUCATION  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2021

Section I – Summary of Auditor’s 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?   | Yes        |
| 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 auditor’s 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:  |            |

Assistance Listing

| <u>Numbers</u> | <u>Name of Federal Program or Cluster</u>  |
|----------------|--|
| 84.027         | Special Education Cluster (IDEA):<br>Special Education - Grants to States            |
| 84.181         | Special Education - Grants for Infants and Families                                  |
| 84.403         | Consolidated Grant to the Outlying Areas   |
|                | Education Stabilization Fund:  |
| 84.425A        | Education Stabilization Fund - State Educational Agency (Outlying Areas) (ESF-SEA)   |
| 84.425X        | American Rescue Plan - State Agency Educational Agency (Outlying Areas) (ARP-OA SEA) |
| 84.425H        | Education Stabilization Fund - Governors (Outlying Areas) (ESF - Governor)           |

- |  |             |
|--|-------------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$3,000,000 |
| 11. Auditee qualified as low-risk auditee?                                   | No          |

Section II – Financial Statement Findings

| <u>Reference Number</u> | <u>Findings</u>         |
|-------------------------|-------------------------|
| 2021-001                | Unrecorded Expenditures |
| 2021-002                | Stale-dated Checks      |

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Section III - Federal Award Findings and Questioned Costs

| <u>Reference<br/>Number</u> | <u>Assistance<br/>Listings<br/>Number</u> | <u>Findings</u>                 | <u>Questioned<br/>Costs</u> |
|-----------------------------|---|---------------------------------|-----------------------------|
| 2021-003                    | 84.425X                                   | Activities Allowed or Unallowed | \$ 1,342,420                |
| 2021-004                    | 84.425A                                   | Allowable Costs/Cost Principles | <u>17,131</u>               |
|                             |   | Total Federal Questioned Costs  | \$ <u>1,359,551</u>         |

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Finding No.: 2021-001  
Area: Unrecorded Expenditures

Criteria:

Invoices timely received for the fiscal year should be accounted for in subsidiary ledgers. Subsidiary ledgers and other accounting schedules, such as records maintained by the third-party fiduciary agent (TPFA), should be timely reconciled to general ledger balances and reviewed for accurate financial reporting in the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

The SEFA was provided on February 2, 2022. Based on our testing of the disbursement register for the subsequent period from October 2021 through March 2022, we identified unrecorded fiscal year (FY) 2021 expenditures of \$2.2 million (M). GDOE recorded the proposed audit adjustment and provided a revised SEFA on April 21, 2022.

| <u>ALN</u> | <u>Program</u>               | <u>Award No.</u> | <u>Unrecorded FY2021 Expenditures</u> |
|------------|------------------------------|------------------|---------------------------------------|
| 84.027     | Special Education            | H027A200013      | \$ 5,394                              |
| 84.403     | Consolidated Grant           | S403A190002      | 8,300                                 |
| 84.425A    | Education Stabilization Fund | S425A200003      | 19,596                                |
| 84.425A    | Education Stabilization Fund | S425A210003      | <u>2,140,076</u>                      |
|            |                              |                  | \$ <u>2,173,366</u>                   |

Cause:

Invoices and receiving records are provided to TPFA for processing and therefore substantial effort is required by GDOE to reconcile its accrual-basis general ledger to TPFA's cash-basis records. Consequentially, GDOE did not perform a thorough review of invoices paid during the year-end closing process.

Effect:

There is potential for unrecorded expenditures to exceed material levels. The FY2021 SEFA was initially understated by \$2.2M.

Identified as a Repeat Finding: 2020-002

Recommendation:

We recommend GDOE continue to strengthen monitoring controls and hire personnel necessary to timely update and reconcile general ledger accounts, the SEFA, and corresponding subsidiary ledgers. During the closing process, end users should route invoices and receiving reports to the Financial Affairs concurrently with the TPFA.

Views of Responsible Officials:

GDOE agrees with the finding and describes corrective action in its Corrective Action Plan.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Finding No.: 2021-002  
Area: Stale-dated Checks

Criteria:

Stale-dated checks should be reviewed, and amounts should be returned and/or written off after an approved time frame.

Condition:

Stale-dated checks aged four years or older totaled \$1,037,801, of which \$109,082 were identified as payroll related and funded by federal grants.

| <u>ANL</u> | <u>Program</u>   | <u>Amount</u>    |
|------------|--|------------------|
| 84.403     | Consolidated Grant   | \$ 51,627        |
| 84.027     | Special Education-Grants to States                             | 46,701           |
| 93.600     | Headstart  | 6,389            |
| 84.371     | Striving Readers Comp. Literacy                                | 2,059            |
| 84.181     | Special Education-Grants for Infants and Families              | 1,418            |
| 10.574     | Team Nutrition Training Grant                                  | 881              |
| 15.875     | Economic, Social, and Political Development of the Territories | 7                |
|            |  | <u>\$109,082</u> |

| <u>Fiscal Year</u> | <u>General Fund</u> | <u>Federal Grants</u> | <u>Not Determined</u> | <u>Total</u>       |
|--------------------|---------------------|-----------------------|-----------------------|--------------------|
| 2005-2012          | \$ -                | \$ -                  | \$308,125             | \$ 308,125         |
| 2013               | 113,393             | 12,038                | 2,291                 | 127,722            |
| 2014               | 194,044             | 24,660                | 1,508                 | 220,212            |
| 2015               | 178,135             | 55,028                | 535                   | 233,698            |
| 2016               | 87,606              | 9,555                 | 2,842                 | 100,003            |
| 2017               | 32,431              | 7,801                 | 7,809                 | 48,041             |
|                    | <u>\$605,609</u>    | <u>\$109,082</u>      | <u>\$323,110</u>      | <u>\$1,037,801</u> |

Cause:

Disposition of stale-dated checks has not been determined or monitored.

Effect:

Liabilities may be overstated; however, there is also a potential for funds to be returned to the applicable grantor agencies or be written off.

Recommendation:

The lack of certain reconciliations has previously been reported, and we continue to recommend that GDOE strengthen monitoring controls and hire personnel necessary to timely update and reconcile general ledger accounts.

Views of Responsible Officials:

GDOE agrees with the finding and describes corrective action in its Corrective Action Plan.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Finding No.: 2021-003  
 Federal Agency: U.S. Department of Education  
 AL Program: 84.425 Education Stabilization Fund (ESF)  
 Federal Award No.: 84.425X S425X210003  
 Area: Activities Allowed or Unallowed  
 Questioned Costs: \$1,342,420

Criteria:

In accordance with applicable activities allowed or unallowed requirements, governors and SEAs (State Educational Agencies) must demonstrate that costs incurred by governors, SEAs, and subrecipients are allowable under the relevant statutory and regulatory provisions, assurances, and Certification and Agreement, and consistent with the purpose of the ESF, which is “to prevent, prepare for, and respond to COVID-19.” Additionally, in accordance with the American Rescue Plan Outlying Areas State Educational Agency Fund (ARP – OA SEA) grant conditions, the SEA will “ensure that programs respond to students’ academic, social, and emotional needs and address the disproportionate impact of COVID-19 on underrepresented student subgroups (each major racial and ethnic group, economically disadvantaged students, children with disabilities, English learners, gender, migrant students, students experiencing homelessness, and children and youth in foster care).”

Condition:

For two (or 8%) of 25 nonpayroll transactions tested, aggregating \$11.9M of \$35M in total Program nonpayroll expenditures, we noted that the stipends for student participants in the summer Youth Employment Internship Program (YEIP) did not appear to prevent, prepare for, or respond to COVID-19. In October 2021, GDOE requested and received approval from U.S. Department of Education to draw funds for the YEIP stipends; however, the request described that “priority placement of students included the underrepresented populations who are indigent, homeless, wards of the state (foster) and incarcerated.” Documentation was not provided to demonstrate implementation of priority placement efforts. Furthermore, the nature of the YEIP did not appear to differ from the annual internship programs sponsored by the Government of Guam for many pre-pandemic summers.

| <u>Project</u> | <u>Date</u> | <u>Check #</u> | <u>Amount</u> |
|----------------|-------------|----------------|---------------|
| 83010          | 07/09/2021  | 162616         | \$ 700        |
| 83010          | 07/22/2021  | 163247         | 350           |
|                |             |                | \$ 1,050      |

The total program cost of the summer YEIP for FY 2021 was \$1,342,420.

Cause:

GDOE did not effectively monitor transactions for compliance with applicable activities allowed or unallowed requirements.

Effect:

GDOE is in noncompliance with applicable activities allowed or unallowed requirements. The total questioned cost is \$1,342,420.

## GUAM DEPARTMENT OF EDUCATION

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2021

Finding No.: 2021-003, Continued  
Federal Agency: U.S. Department of Education  
AL Program: 84.425 Education Stabilization Fund (ESF)  
Federal Award No.: 84.425X S425X210003  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$1,342,420

#### Recommendation:

GDOE should monitor transactions for compliance with applicable activities allowed or unallowed requirements. Prior to charging costs to a Federal award, responsible personnel should confirm that the activity is allowed under the terms and conditions of the award and that documentation of such confirmation is maintained on file.

#### Views of Responsible Officials:

The GDOE disagrees with the finding.

As a result of the impacts caused by COVID-19, all students on Guam, including public, charter and private non-public, are considered "underrepresented". The Guam Department of Education (GDOE) and the Department of Youth Affairs (DYA) made a concerted effort to formalize a partnership, through a Memorandum of Understanding (MOU) to create opportunities for students to recover learning time loss. In addition, the YEIP ensured to prioritize the identification of indigent, homeless, wards of the state (foster) and incarcerated students for access and participation.

Additionally, the YEIP aimed to provide experiences to the participants with a safe and productive way to utilize their time to recover the various losses of learning during the pandemic. Participants were required to submit a final individual or group project (video, power point, report, etc.) documenting their experiences and what they learned. (See Attachment B – Final Project Samples, GDOE press release, and YEIP flyer).

#### Auditor Response:

We do not doubt that the YEIP was beneficial to participants. However, GDOE did not provide the MOU or other documentation to demonstrate how the YEIP responded to students' academic, social, and emotional needs and addressed the disproportionate impact of COVID-19 on underrepresented student subgroups (each major racial and ethnic group, economically disadvantaged students, children with disabilities, English learners, gender, migrant students, students experiencing homelessness, and children and youth in foster care). GDOE did not provide documentation to demonstrate how the YEIP prioritized the identification of indigent, homeless, wards of the state (foster) and incarcerated students for access and participation. The referenced GDOE press release and YEIP flyer specified that the program was open to the island's youth and that applications would be accepted on a first-come first served basis.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Finding No.: 2021-004  
 Federal Agency: U.S. Department of Education  
 AL Program: 84.425 Education Stabilization Fund (ESF)  
 Federal Award No.: 84.425A S425A200003  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$17,131

Criteria:

In accordance with applicable allowable costs/cost principles requirements, in order for costs to be allowable under Federal awards, the costs must be necessary and reasonable for the performance of the Federal award, be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity, and be adequately documented.

Condition:

For two (or 67%) of three transactions tested, aggregating \$2,581 of \$4.9M in total Program payroll expenditures, documentation was not sufficient to substantiate that the cost was allowable under the Program, as follows:

| <u>ALN</u> | <u>Project</u> | <u>Date</u> | <u>PPE</u> | <u>Check #</u> | <u>Employee #</u> | <u>Position</u> | <u>Description</u> | <u>Amount</u> |
|------------|----------------|-------------|------------|----------------|-------------------|-----------------|--------------------|---------------|
| 84.425A    | 83010          | 09/30/2021  | 12/30/2020 | 2011869        | 147               | ADMIN ASST      | Overtime           | \$ 12         |
| 84.425A    | 83110          | 09/30/2021  | 09/07/2020 | 162616         | 7594              | ADMIN OFCER     | Overtime           | <u>261</u>    |
|            |                |             |            |                |                   |                 |                    | <u>\$ 273</u> |

1. Check # 2011869 was paid for overtime to an administrative staff who was initially hired under a non-Federal funding source. No time-and-effort certification or other activity report was provided to demonstrate that the employee devoted the overtime hours for the performance of the Federal award. Also, under Guam laws and regulations, it appears the employee is exempt from receiving overtime pay. The total overtime paid to this exempt employee during FY 2021 is \$145, which is a questioned cost.
2. Check # 162616 was paid for overtime to an administrative staff who was hired under a different Federal funding source. A time-and-effort certification was provided to indicate the number of overtime hours devoted to the performance of the Federal award; however, under Guam laws and regulations, the employee appears to be exempt from receiving overtime pay. The total overtime paid to this exempt employee during FY 2021 is \$16,986, which is a questioned cost. The total of overtime paid to potentially exempt employees during FY 2021 is estimated to be \$1,511,984.

Cause:

GDOE did not effectively monitor transactions for compliance with applicable allowable costs/cost principles requirements.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2021

Finding No.: 2021-004, Continued  
Federal Agency: U.S. Department of Education  
AL Program: 84.425 Education Stabilization Fund (ESF)  
Federal Award No.: 84.425A S425A200003  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$17,131

Effect:

GDOE is in noncompliance with applicable allowable costs/cost principles requirements. The total questioned cost is \$17,131, as the projected questioned cost exceeds the threshold.

|             | <u>Questioned<br/>Cost</u> |
|-------------|----------------------------|
| Condition 1 | \$ 145                     |
| Condition 2 | <u>16,986</u>              |
|             | <u>\$ 17,131</u>           |

Recommendation:

GDOE should monitor transactions for compliance with applicable allowable costs/cost principles requirements. Prior to charging costs to a Federal award, responsible personnel should confirm that the costs are allowable under the terms and conditions of the award and are consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

Views of Responsible Officials:

GDOE agrees with the finding and describes corrective action in its Corrective Action Plan.



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**JON J.P. FERNANDEZ**

Superintendent of Education

## Guam Department of Education Corrective Action Plan Year Ended September 30, 2021

Finding No.: 2021-001  
Area: Unrecorded Expenditures

Views of Auditee and Corrective Actions:  
The GDOE agrees with the finding.

In accordance with the SOP, timely reconciliations between TPFA's Munis and GDOE's Munis systems should occur on a monthly basis. Relative to the finding, invoices were acknowledged received in FY 2021, but were posted in the GDOE's Munis in FY 2022.

For invoices to be accrued, the Financial Affairs relies heavily on the TPFA to provide a listing of invoices. Per the audit samples tested, Financial Affairs was not provided the required information to record the accruals on a timely basis. The invoices are sent directly to the End Users and not to the Financial Affairs, a practice that prevents the timely reconciliation of invoices.

**Plan of action and completion date:** GDOE will implement a new practice of requesting vendors for a Statement of Account in order to reconcile with the TPFA's Accounts Payable sub ledger. This practice should take effect immediately and will be performed on a monthly basis.

In addition, Financial Affairs will improve the process of monitoring all invoices on the TPFA's Munis. The process will include examining the receipt date of goods or service period covered by the invoice. This practice will assist GDOE to account for the invoices during the year-end closing process using accrual-basis accounting.

**Plan to monitor and responsible officials:** Acting Deputy Superintendent of Finance and Administrative Services Franklin Cooper-Nurse will assign an accountant to review the invoices processed through the TPFA. Additionally, the Internal Audit Office will review and monitor the submission, processing, and reporting of invoices to ensure invoices are recorded in the correct period.

Finding No.: 2021-002  
Area: Stale-dated Checks

Views of Auditee and Corrective Actions:  
The GDOE agrees with the finding.

GDOE developed SOP 200-034, which requires stale dated checks to be voided after six months

**Guam Department of Education**  
Corrective Action Plan  
Year Ended September 30, 2021

from the date of issuance. Financial Affairs retained a listing of all stale-dated payments, but did not determine the disposition for these checks as of September 30, 2021.

As such, GDOE will review requirements established in the Guam escheatment law. Title 11 of the Guam Code Annotated (G.C.A.) § 127115 requires checks to be held for three years in the event payees may come forward to claim the checks. In addition, pursuant to 15 G.C.A. § 1203, payments related to health and welfare, pension, vacation, severance, retirement, death benefits, unemployment insurance, or other similar benefits are not to be escheated back to the GDOE. GDOE are to hold the payments under these conditions in trust while these benefits remain valid.

**Plan of action and completion date:** GDOE will amend SOP 200-034 to reflect applicable laws. In addition, Financial Affairs will make reasonable efforts to notify the recipients before disposing of stale-dated checks. Financial Affairs will proceed with reissuance and disposition of applicable stale-dated checks upon completion of the notification process. Payments made through federal grants, deemed applicable for disposition, will be returned to the grantor. This practice will take effect immediately and will be performed on a quarterly basis.

**Plan to monitor and responsible officials:** Acting Deputy Superintendent of Finance and Administrative Services Franklin Cooper-Nurse will assign an accountant and related payroll staff to monitor payments made to recipients that were not cleared after six months of issuance. The assigned staff will report results to the Comptroller on a quarterly basis. The Comptroller will provide a status report to the Deputy Superintendent of Finance and Administrative Services. The Deputy Superintendent will ensure that the corrective action is implemented and the aforementioned practice is being upheld.

Finding No.: 2021-003  
Federal Agency: U.S. Department of Education  
AL Program: 84.425 Education Stabilization Fund (ESF)  
Federal Award No.: 84.425X S425X210003  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$1,342,420

Views of Auditee and Corrective Actions:

The GDOE disagrees with the finding.

As a result of the impacts caused by COVID-19, all students on Guam, including public, charter and private non-public, are considered “underrepresented”. The Guam Department of Education (GDOE) and the Department of Youth Affairs (DYA) made a concerted effort to formalize a partnership, through a Memorandum of Understanding (MOU) to create opportunities for students to recover learning time loss. In addition, the YEIP ensured to prioritize the identification of indigent, homeless, wards of the state (foster) and incarcerated students for access and participation.

Additionally, the YEIP aimed to provide experiences to the participants with a safe and productive way to utilize their time to recover the various losses of learning during the pandemic. Participants were required to submit a final individual or group project (video, power point, report, etc.)

**Guam Department of Education**  
Corrective Action Plan  
Year Ended September 30, 2021

documenting their experiences and what they learned. (See Attachment B – Final Project Samples, GDOE press release, and YEIP flyer)

Finding No.: 2021-004  
Federal Agency: U.S. Department of Education  
AL Program: 84.425 Education Stabilization Fund (ESF)  
Federal Award No.: 84.425A S425A200003  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$17,131

Views of Auditee and Corrective Actions:

The GDOE agrees with the finding.

**Plan of action and completion date:** The GDOE will be conferring with the U.S. Department of Education (ED) to determine whether such expenditures can be reimbursed. Upon ED's determination, GDOE will implement the necessary corrective actions.

The GDOE will also be reviewing overtime expenditures to confirm reasonableness and proper processing. The GDOE Internal Audit Office will work collaboratively with the TPFA to conduct a thorough analysis of all overtime and, if necessary, to advise GDOE management in implementing stronger internal controls.

**Plan to monitor and responsible officials:** Superintendent Jon J.P. Fernandez will initiate and monitor the status of the review and ED's determination.



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

**DEPARTMENT OF EDUCATION  
INTERNAL AUDIT OFFICE**

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**FRANKLIN  
COOPER-NURSE**  
Chief Internal Auditor

**Summary Schedule of Prior Audit Findings and Questioned Costs  
Year Ended September 30, 2021**

| Finding Number | Assistance Listing Number | Area   | Questioned Cost | Status   |
|----------------|---------------------------|--|-----------------|--|
| 2017-001       | -                         | Reporting  | \$ -            | Corrective action ongoing. Financial Affairs has a new team assigned to ensure that draws are based on posted expenditures in the correct GDOE Munis account. Additionally, Standard Operating Procedures (SOP) 200-007 is pending an update.  |
| 2019 - 001     | 12.000                    | Procurement and Suspension and Debarment                     | \$ -            | Pending Program Determination Letter from the U.S. Department of Defense.<br><br>Corrective action ongoing. Financial Affairs is reviewing SOP 200-021 Off-Island Travel for updates. There was no travel in Fiscal Years (FY) 2020 and 2021. For FY 2022, Financial Affairs is monitoring the number of travel groups in addition to the rotation of travel agencies. |
| 2019 - 002     | 12.000                    | Special Tests and Provisions                                 | \$ -            | Pending Program Determination Letter from the U.S. Department of Defense.<br><br>Corrective action ongoing. The new Simon Sanchez High School is currently on the design phase. In the meantime, the school assigned a classroom for the JROTC class. Additionally, liability insurance for Army JROTC instructors was purchased in FYs 2020 and 2021.                 |
| 2020 - 001     | 15.875                    | Equipment and Real Property Management<br><br>Capital Assets | \$ -            | Pending Program Determination Letter from the U.S. Department of Interior.<br><br>Corrective action ongoing. The GDOE revised SOP 200-015 for Fixed Assets Management in October 2020. The GDOE completed its School Year 2020-2021 inventory and reported the results in September 2021.  |
| 2020 - 001     | 93.600                    | Equipment and Real Property Management<br><br>Capital Assets | \$ -            | Pending Program Determination Letter from the U.S. Department of Health and Human Services.<br><br>Corrective action on going. The GDOE revised SOP 200-015 for Fixed Assets Management in October 2020. The GDOE completed its School Year 2020-2021 inventory and reported the results in September 2021.  |
| 2020 - 002     | -                         | Unrecorded Expenditures                                      | \$ -            | Corrective action ongoing. Financial Affairs reviews accruals posted in the Third-Party Fiduciary Agent's Munis system to verify completeness and accuracy.  |