



## **OFFICE OF PUBLIC ACCOUNTABILITY**

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### **Guam Department of Education – FY 2019 Financial Highlights**

July 2, 2020

Hagåtña, Guam – The Office of Public Accountability has released the Guam Department of Education’s (GDOE) financial statements, report on compliance and internal control, the auditor’s communication with those charged with governance and management letter for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP issued an unmodified (clean) opinion on GDOE’s financial statements and report on compliance for major federal programs. However, the auditors identified two significant deficiencies in internal control over major federal programs. GDOE remains a high-risk grantee with the U.S. Department of Education (USDOE) for the past 17 years. GDOE closed FY 2019 with a \$3.7 million (M) decrease in fund balance compared to the \$2.6M decrease in FY 2018.

#### **Revenues, Expenditures Decreased**

Total revenues decreased by \$4.2M, going from \$319.2M in FY 2018 to \$315.0M in FY 2019. The decrease was due largely to decreased local appropriations decreasing by \$4.3M, and fees and other program receipts decreasing by \$908 thousand (K). Contributions from component units increased by \$801K and federal grants and contributions increased by \$261K.

Total GDOE expenditures decreased by \$3.1M, going from \$321.8M in FY 2018 to \$318.7M in FY 2019. Decreases were largely due to a \$3.3M decrease in secondary education, an \$884K decrease in direct student support, and a \$649K decrease in elementary education. GDOE saw an increase of \$1.4M in expenditures from the Science is Fun and Awesome Academy Charter School and an increase of \$806K for the iLearn Academy Charter School.

#### **100% Federally Funded Employees Decreased**

The total number of employees decreased by 49, from 3,644 to 3,595 as of September 28, 2019. Locally funded employees increased by 90 and federally funded employees decreased by 18. The combination of locally/federally funded employees decreased by 121. Employees counted as locally/federally funded were primarily locally funded elementary school teachers who also participated in federally funded projects, such as the Gifted and Talented Program and Territories & Freely Associated States Educational Program.

#### **Third Party Fiduciary Agent (TPFA)**

FY 2019 marks the seventh year GDOE has incurred local expenditures associated with addressing its high-risk grantee status by USDOE. Special Conditions required the financial management functions of USDOE grants to be supervised by the TPFA. GDOE staff perform budget, personnel, payroll, procurement, property management, and accounts payable activities with various levels of oversight from the TPFA over transactions funded with USDOE grants. Financial transactions from the TPFA system are mirrored on GDOE’s financial management information system.



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In May 2018, GDOE officially requested reconsideration of the special conditions, the nature of actions needed to remove the special conditions, and the timeline for reconsideration. In March 2019, USDOE amended the Federal FY 2018 specific conditions to remove three conditions related to (1) prompt access, (2) program-specific conditions, and (3) compliance with program requirements. The remaining four conditions include (1) requirements of the TPFAs, (2) responsibilities of GDOE and the TPFAs concerning administration of USDOE grants, (3) Reconsideration Evaluation Plan, and (4) single audits. In August 2019, USDOE acknowledged full compliance to the requirement of a timely single audit but left this condition outstanding.

### **Compliance Report**

Independent auditors identified two findings. The findings were significant deficiencies related to the procurement of Junior Reserve Officers' Training Corps (JROTC) travel and contracted terms with the JROTC Program. Specifically, auditors noted (1) four of ten transactions tested, aggregating \$225K in total non-payroll related program expenditures for air travel were not rotated fairly nor competitively and (2) one of six units tested, identified GDOE furnished the unit with cafeteria space instead of the agreed exclusive classroom and GDOE did not provide proof of liability insurance for the instructor. Auditors recommended monitoring and enforcing compliance with procurement requirements and enforcing compliance with contract terms for the JROTC Program.

### **Management Letter**

Independent auditors issued a management letter containing five findings relating to: (1) untimely general ledger reconciliations; (2) reconciliation with TPFAs records; (3) FY 2019 available budgets were loaded in excess of amounts collected by the Department of Administration; (4) non-appropriated funds where opening balances did not reconcile to prior year ending balances for 11 of 41 schools and bank reconciliations were not timely and accurately performed; and (5) authorized ground transportation costs were used to fund personal travel and double recorded.

For a more detailed discussion on GDOE's operations, see the Management's Discussion and Analysis in the audit report, as well as the reports in their entirety, at [www.opaguam.org](http://www.opaguam.org).