



## OFFICE OF PUBLIC ACCOUNTABILITY

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### Guam Educational Telecommunications Corporation – FY 2021 Financial Highlights

December 29, 2022

Hagatña, Guam – The Office of Public Accountability (OPA) has released the Guam Educational Telecommunications Corporations’ (dba PBS Guam) Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Management Letter for fiscal year (FY) 2021. Independent auditors, Ernst & Young, LLP (EY), rendered a qualified opinion on the auditor’s report issued on compliance for major federal programs and had questioned costs of \$554 thousand (K). EY also issued a management letter and identified one finding related to equipment management purchased with federal awards.

In March 2022, the OPA released PBS Guam’s FY 2021 Financial Statements and Report on Compliance and Internal Controls. In July 2022, the OPA released the Government of Guam’s Single Audit Reports, which included Finding 2021-023 that questioned \$1.2 million (M) in Education Stabilization Funds and identified PBS Guam as the subgrantee of the award. PBS Guam was expected to be audited as required by the Single Audit Act and 2 CFR Part 200, and at the time, did not have one completed when their financial audit was released. To address Finding 2021-023, PBS Guam underwent the required audit in November 2022.

#### **Qualified Opinion on COVID-19 Education Stabilization Fund**

In FY 2021, PBS Guam had \$1.2M in total federal expenditures as a subgrantee from the Office of the Governor of Guam’s COVID-19 Education Stabilization Fund. Required by 2 CFR 200, auditors tested \$751K in transactions of the \$1.2M in federal expenditures. Auditors identified two findings and had \$554K in questioned costs concerning PBS Guam’s utilization of the Education Stabilization Fund and rendered a qualified opinion on compliance for major federal programs.

#### ***Finding 2021-001***

The first finding was in the area of *Activities Allowed or Unallowed and Allowable Costs/Cost Principle*. Auditors tested forty-eight (48) transactions totaling \$751K out of a total population of \$1.2M, noting:

1. Ten (10) transactions totaling \$21,547 are not allowable activities as they are not direct costs related to administering the PBS University Program; and
2. Fifteen (15) transactions totaling \$514,700 do not have adequate documentation to support the cost charged to the program.

Additional unallowable costs related to Finding 2021-001 totaled \$18,524.

The auditors recommended PBS Guam review documents, the Uniform Guidance, and the grant agreement and improve its procedures for reviewing the allowability of activities and costs charged to the grant.

***Finding 2021-002***

The second finding was in the area of *Cash Management*. Auditors noted that PBS Guam does not have written procedures as required by the Uniform Guidance. In a test of 48 transactions, 28 did not have sufficient support to demonstrate that funds were disbursed prior to requesting reimbursement. As a result, auditors recommended that PBS Guam review Uniform Guidance requirements and the grant agreement and improve its procedures to ensure compliance with the cash management principle.

**Management Letter**

Auditors noted management letter comments relative to deficiencies in equipment purchased with Federal Awards. During a controlled test of equipment purchased with Federal Awards, seven (7) of thirty (30) samples did not have the Federal or PBS equipment tags. The auditors recommended that PBS Guam's management enforce that the Federal and PBS tags are mounted to equipment as soon as they are in service.

For a more detailed discussion on PBS Guam, refer to the audit report at [www.opaguam.org](http://www.opaguam.org) or [pbsguam.org](http://pbsguam.org).