

**GUAM DEPARTMENT OF EDUCATION**

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**INDEPENDENT AUDITORS' REPORTS ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND ON INTERNAL CONTROL AND ON COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2000**

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

Juan P. Flores  
Superintendent of Education  
Guam Department of Education:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the Guam Department of Education (the Schedule) for the year ended September 30, 2000. This Schedule is the responsibility of Guam Department of Education's management. Our responsibility is to express an opinion on this Schedule based on our audit.

Except as discussed in the following paragraph, we conducted our audit 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

During the year ended September 30, 2000, the Department of Education did not maintain a general ledger and did not maintain an adequate system of internal control. The Department of Education did maintain subsidiary ledgers to account for expenditures per federal program. We did not audit the general purpose financial statements of the Department of Education as a whole. Rather, our audit encompassed only the subsidiary ledgers in which federal program transactions were recorded. Had we audited the general purpose financial statements as a whole, other matters impacting the accompanying Schedule of Expenditures of Federal Awards may have come to our attention and been duly reported. Therefore, we cannot determine whether additional matters exist that should be incorporated in the accompanying Schedule.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we audited the general purpose financial statements as a whole, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Guam Department of Education for the year ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

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September 5, 2003 (except for note 3, as to which  
the date is September 17, 2003)



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Juan P. Flores  
Superintendent of Education  
Guam Department of Education:

We have audited the Schedule of Expenditures of Federal Awards (the Schedule) of the Guam Department of Education (DOE) as of and for the year ended September 30, 2000, and have issued our report thereon dated September 5, 2003, which report was qualified due to the scope of our engagement encompassing only the subsidiary ledgers for federal program transactions and not the general purpose financial statements of DOE as a whole. We conducted our audit in accordance with 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.

Compliance

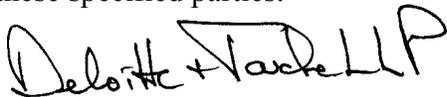
As part of obtaining reasonable assurance about whether DOE's Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of Schedule 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2000-06, 2000-07, 2000-08, 2000-11, 2000-14, 2000-15, 2000-17 and 2000-18.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DOE's internal control over financial reporting of the Schedule in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting of the Schedule and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting of the Schedule, that, in our judgment, could adversely affect DOE's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedule. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 2000-01, 2000-03, 2000-06, 2000-07, 2000-08, 2000-11, 2000-14, 2000-15, 2000-17, 2000-18 and 2000-20.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting of the Schedule would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 2000-06, 2000-07, and 2000-20 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Guam Department of Education, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, flowing style.

September 5, 2003 (except for note 3, as to which  
the date is September 17, 2003)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Juan P. Flores  
Superintendent of Education  
Guam Department of Education:

Compliance

We have audited the compliance of Guam Department of Education (DOE) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. DOE's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 8 through 38). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of DOE's management. Our responsibility is to express an opinion on DOE's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 DOE'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. Our audit does not provide a legal determination on DOE's compliance with those requirements.

As described in findings 2000-02, 2000-04 through 2000-09, 2000-11, 2000-13 through 2000-15, 2000-17, and 2000-18 in the accompanying Schedule of Findings and Questioned Costs, DOE did not comply with the requirements regarding allowable costs/cost principles, eligibility, level of effort, period of availability of Federal funds, procurement, reporting, subrecipient monitoring, and special tests and provisions that are applicable to its major federal programs described in the accompanying summary of auditors' results section (page 8) of the accompanying Schedule of Findings and Questioned Costs. Compliance with such requirements is necessary, in our opinion, for DOE to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, DOE complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2000.

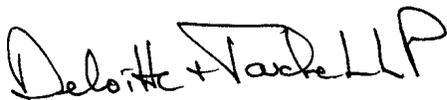
## Internal Control Over Compliance

The management of DOE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered DOE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect DOE's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 2000-01 through 2000-19.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, of the reportable conditions described above, we consider findings 2000-03, 2000-06, 2000-07 and 2000-17, to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Guam Department of Education, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

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September 5, 2003 (except for note 3, as to which  
the date is September 17, 2003)

**GUAM DEPARTMENT OF EDUCATION**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2000

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	Accrued (Deferred) Balance at September 30, 1999	FY 2000 Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 2000
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>					
Pass-Through Guam Department of Administration					
School Breakfast Program	10.553	\$ -	\$ 691,457	\$ 1,032,534 *	\$ 341,077
National School Lunch Program	10.555	-	2,320,326	3,171,270 *	850,944
Child and Adult Care Food Program	10.558	-	27,666	-	(27,666)
State Administrative Expenses for Child Nutrition	10.560	230,173	-	161,943	392,116
Nutrition Education & Training Program (NET Program)	10.564	107,507	-	1,139	108,646
Total U.S. Department of Agriculture		\$ 337,680	\$ 3,039,449	\$ 4,366,886	\$ 1,665,117
<b>U.S. DEPARTMENT OF DEFENSE:</b>					
Pass-Through Guam Department of Administration					
Planning Assistance to States	12.110	\$ 314,615	\$ -	\$ 197,121	\$ 511,736
Total U.S. Department of Defense		\$ 314,615	\$ -	\$ 197,121	\$ 511,736
<b>U.S. DEPARTMENT OF LABOR</b>					
Pass-Through Guam Department of Administration					
Employment Services and Job Training-Pilot and Demonstration Programs	17.249	\$ 111,995	\$ 179,662	\$ 118,192	\$ 50,525
Total U.S. Department of Labor		\$ 111,995	\$ 179,662	\$ 118,192	\$ 50,525
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>					
Pass-Through Guam Department of Administration					
Public Assistance Grants	83.544	\$ 1,270,258	\$ 789,611	\$ 2,057,025 *	\$ 2,537,672
Total Federal Emergency Management Agency		\$ 1,270,258	\$ 789,611	\$ 2,057,025	\$ 2,537,672
<b>U.S. DEPARTMENT OF EDUCATION:</b>					
Pass-Through Guam Department of Administration					
Multi State	84.025	\$ (176)	\$ -	\$ -	\$ (176)
Special Education-Grants to States	84.027	(325,695)	8,718,508	9,501,366 *	457,163
Special Education-Personnel Development and Parent Training (Training Personnel for the Education of Individuals with Disabilities)	84.029	(16,084)	-	4,061	(12,023)
National Diffusion Network (NDN)	84.073	(3,455)	-	-	(3,455)
Special Education-Preschool Grants	84.173A	(27,795)	-	-	(27,795)
Special Education: Grants for Infants and Families With Disabilities	84.181	754,560	1,326,764	1,585,205 *	1,013,001
Byrd Honors Scholarships	84.185	112,500	59,708	59,708	112,500
Christa McAuliffe Fellowships (CMFP)	84.190	(13,144)	33,864	32,535	(14,473)
Bilingual Education Support Services	84.194Q	29,392	106,347	91,094	14,139
Education Grant Program for the Freely Associated States	84.256	(146,104)	103,489	116,906	(132,687)
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276A	38,306	128,640	182,206	91,872
Bilingual Education: Program Enhancement Grants	84.289	7,328	34,054	27,770	1,044
Technology Literacy Challenge Fund Grants	84.318	263,968	738,139	480,788	6,617
Class Size Reduction	84.340	66,071	538,215	584,981	112,837
Consolidated Grants	84.922A	767,374	8,672,770	8,938,670 *	1,033,274
Total U.S. Department of Education		\$ 1,507,046	\$ 20,460,498	\$ 21,605,290	\$ 2,651,838
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Pass-Through Guam Department of Administration					
Child Care and Development Block Grant	93.575	\$ (42,608)	\$ 88,819	\$ -	\$ (131,427)
Promote the Survival and Continued Vitality of Native American Languages	93.587	86,052	25,253	21,458	82,257
Head Start	93.600	173,895	1,266,120	1,621,661 *	529,436
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (SHEPSA)	93.938	59,339	54,609	138,039	142,769
Total U.S. Department of Health and Human Services		\$ 276,678	\$ 1,434,801	\$ 1,781,158	\$ 623,035
Total Federal Awards		\$ 3,818,272	\$ 25,904,021	\$ 30,125,672	\$ 8,039,923

\* Based on requirements imposed in the audit, this program is audited as a major program

See notes to Schedule of Expenditures of Federal Awards.

## GUAM DEPARTMENT OF EDUCATION

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2000

#### 1. Scope of Audit:

The Guam Department of Education 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 Federal expenditures of the Guam Department of Education are included within the scope of the audit. The U.S. Department of the Interior has been designated as the Government of Guam's cognizant agency for the compliance audit.

#### 2. Summary of Significant Accounting Policies:

##### a. Basis of Accounting:

DOE is named as the grant recipient on grant awards and is responsible for maintaining the accounting records for federal expenditures. Although DOE did not maintain a general ledger during this period, DOE did account for direct charges to each program within the Catalog of Federal Domestic Assistance in detailed subsidiary ledgers. The federal programs were not charged allocated costs or indirect costs. Therefore, all costs charged were direct.

During the year ended September 30, 2000, on a periodic basis, DOE provided its subsidiary schedules to the Government of Guam Department of Administration (DOA), which then submitted reimbursement requests to grantor agencies and drew down federal funds based on the subsidiary totals. DOA established a separate account for federal cash receipts and transferred the federal funds to DOE. DOE maintained a subsidiary ledger to account for all cash deposits from DOA.

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies, as passed through DOA during the year for each federal program. Cash receipts do not include matching funds from DOE.

All expenses and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which DOE maintains its accounting records.

##### 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 of Expenditures of Federal Awards 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 more than \$300,000 in federal awards, the subrecipient separately satisfies the audit requirements of OMB Circular A-133.

#### 3. Subsequent Event

Effective September 17, 2003, the U.S. Department of Education designated Guam Department of Education a "high-risk grantee," making it subject to special conditions in all of the Federal education programs it administers.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2000

**Part I - Summary of Auditors' Results**

1. The Independent Auditors' Report on the Schedule of Expenditures of Federal Awards expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which were considered to be material weaknesses.
3. Instances of noncompliance considered material to the Schedule of Expenditures of Federal Awards were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which were considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Organization's major programs were as follows:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Public Assistance Grants	83.544
Special Education – Grants to States	84.027
Special Education: Grants for Infants and Families with Disabilities	84.181
Consolidated Grants	84.922
Head Start	93.600

8. A threshold of \$ 903,770 was used to distinguish between Type A and Type B programs.
9. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

**Part II - Financial Statement Findings Section**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>	<u>Federal Agency</u>	<u>Guam DOE Division</u>
2000-01	Reporting	\$ -	Agriculture	Food Services
2000-03	Reporting	\$ 66,125	Agriculture	Food Services
2000-06	Procurement	\$1,567,905	FEMA	Business Office
2000-07	Allowable Costs/Cost Principles	\$ 81,207	FEMA	Business Office
2000-08	Period of Availability	\$ 59,481	Education	Special Ed.
2000-11	Allowable Costs/Cost Principles	\$ 113,426	Education	Federal Programs
2000-14	Procurement	\$ 2,500	Education	Federal Programs
2000-15	Procurement	\$ -	HHS	Headstart
2000-17	Special Tests and Provisions	\$ 101,913	HHS	Headstart
2000-18	Period of Availability	\$ 14,917	Education	Special Ed.
2000-20	General Leger	\$ -		

**Part III - Federal Award Findings and Questioned Cost Section**

<u>Reference Number</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>	<u>Federal Agency</u>	<u>Guam DOE Division</u>
2000-01	10.553/10.555	Reporting	\$ -	Agriculture	Food Services
2000-02	10.553/10.555	Eligibility	\$ -	Agriculture	Food Services
2000-03	10.553/10.555	Reporting	\$ 66,125	Agriculture	Food Services
2000-04	10.553/10.555	Reporting	\$ -	Agriculture	Food Services
2000-05	10.553/10.555	Reporting	\$ -	Agriculture	Food Services
2000-06	83.544	Procurement	\$1,567,905	FEMA	Business Office
2000-07	83.544	Allowable Costs/Cost Principles	\$ 81,207	FEMA	Business Office
2000-08	84.027	Period of Availability	\$ 59,481	Education	Special Ed.
2000-09	84.027	Level of Effort	\$ -	Education	Special Ed.
2000-10	84.922	Reporting	\$ -	Education	Federal Programs
2000-11	84.922	Allowable Costs/Cost Principles	\$ 113,426	Education	Federal Programs
2000-12	84.922	Period of Availability	\$ -	Education	Federal Programs
2000-13	84.922	Subrecipient Monitoring	\$ -	Education	Federal Programs
2000-14	84.922	Procurement	\$ 2,500	Education	Federal Programs
2000-15	93.600	Procurement	\$ -	HHS	Headstart
2000-16	93.600	Reporting	\$ -	HHS	Headstart
2000-17	93.600	Special Tests and Provisions	\$ 101,913	HHS	Headstart
2000-18	84.181	Period of Availability	\$ 14,917	Education	Special Ed.
2000-19	84.922	Level of Effort	\$ -	Education	Federal Programs
Total Questioned Costs			<u>\$2,007,474</u>		

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-01  
 CFDA No.: 10.553/10.555  
 Program Name: Child Nutrition Cluster  
 Area: Reporting  
 Questioned Costs: \$0

Criteria:

Expenditures reported to the Federal Government on the Financial Status Report should agree with the Reimbursement Claim.

Condition:

The FSR and the Reimbursement Claim for fiscal year 2000 differ as follows:

	<u>Per Claim</u>	<u>Per FSR</u>	<u>Difference</u>
Lunch			
1 <sup>st</sup> Qtr	\$ 716,400	\$ 728,815	\$12,415
2 <sup>nd</sup> Qtr	1,091,771	1,109,738	17,967
3 <sup>rd</sup> Qtr	565,382	572,256	6,874
4 <sup>th</sup> Qtr	<u>797,716</u>	<u>811,424</u>	<u>13,708</u>
	<u>\$3,171,269</u>	<u>\$3,222,233</u>	<u>\$50,964</u>
Total overreported:			<u>\$50,964</u>

Cause:

There appears to be a lack of controls over ensuring that the FSR and the Reimbursement Claim are reconciled.

Effect:

There is no known effect on the financial statements as a result of this condition. However, it appears that a total of \$50,964 has been overreported.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls to ensure that the responsible person reconciles the Financial Status Reports and the Reimbursement Claims at the end of the quarter prior to submission to the Federal Government.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with the recommendation. On October 1, 2002, the Business Office established the process to reconcile at the end of each quarter and prior to Federal draw-down request.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-02  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Eligibility  
Questioned Costs: \$0

Criteria:

In accordance with 7 CFR part 3015, all financial and programmatic records, such as student listings, applications, and review determinations, should be documented on file for at least three years to substantiate Program transactions.

Condition:

Requested documents evidencing student listings and eligibility were not provided as of the last date of fieldwork, specifically:

Student application and signed "Check List: Review Determination" for 7 of 25 students selected for testing. Following is a listing of the school and the student initials:

- |                               |     |
|-------------------------------|-----|
| a. JP Torres Elementary       | GV  |
| b. MA Ulloa Elementary        | DBE |
| c. Southern High              | JB  |
| d. Dept. of Youth Affairs     | ML  |
| e. B.P. Carbullido Elementary | AM  |
| f. George Washington High     | JD  |
| g. John F. Kennedy High       | AL  |

Cause:

There appears to be a lack of controls over ensuring that documents are maintained on file for at least three years.

Effect:

There is no known effect on the Schedule of Expenditures of Federal Awards as a result of this condition. However, eligibility of the above students cannot be supported, which could be interpreted as noncompliance with eligibility requirements and improper use of Federal Financial Assistance.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal record keeping controls to ensure that documents are maintained on file for at least three years in accordance with 7 CFR part 3015.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-02, Continued  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Eligibility  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with the recommendation. By March 31, 2003, the Food Service Division will ensure that all schools maintain records of students under the Free and Reduced Program.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-03  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Reporting  
Questioned Costs: \$66,125

Criteria:

The expenditures reported on the reimbursement claim should agree to cash payments made by USDA.

Condition:

The cash drawdowns reported by USDA and the Reimbursement Claim for fiscal year 2000 differ as follows:

	<u>Per USDA</u>	<u>Per Claim</u>	<u>Difference</u>
Breakfast	\$1,039,133	\$1,032,534	\$ 6,599
Lunch	<u>3,230,796</u>	<u>3,171,270</u>	<u>59,526</u>
	<u>\$4,269,929</u>	<u>\$4,203,804</u>	<u>\$66,125</u>

Cause:

There appears to be a lack of controls over ensuring that the reimbursement claims and the cash drawdowns are reconciled.

Effect:

A questioned cost of \$66,125 exists. It appears that the entity has drawn down funds in excess of its expenditures. It cannot be determined if the funds have been refunded or expended within the required timeframe.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls to ensure that the responsible person reconciles the Financial Status Reports and the cash drawdowns at the end of the quarter prior to submission to the Federal Government.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with the recommendation. On October 1, 2002, the Business Office established the process to reconcile at the end of each quarter and prior to Federal draw-down request.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-04  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Reporting  
Questioned Costs: \$0

Criteria:

The Quarterly Financial Status Report (Form 269) is due 30 days after each quarter. Also, a final annual report is due 30 days after the liquidation period (90 days after year-end).

Condition:

The following Financial Status Reports are either filed late or not provided for review:

<u>Reporting Period</u>	<u>Date Due</u>	<u>Date Submitted</u>
10/01/99 – 12/31/99 (Quarterly)	01/31/00	11/08/00
01/01/00 – 03/31/00 (Quarterly)	04/30/00	11/08/00
04/01/00 – 06/30/00 (Quarterly)	07/31/00	11/08/00
07/01/00 – 09/30/00 (Quarterly)	10/31/00	Cannot be determined
10/01/99 – 09/30/00 (Final Report)	12/31/00	Report cannot be located

Cause:

There appears to be a lack of controls over ensuring the timely submission of financial status reports.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Program.

Recommendation:

The grantee should ensure that Financial Status Reports are submitted timely and copies should be maintained through the audit process.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with the recommendation. Beginning February 2003, the Business Office will ensure that Financial Status Reports are filed timely and maintained through the audit process.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-05  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Reporting  
Questioned Costs: \$0

Criteria:

An initial monthly report (FNS 10) is due 30 days after the close of the report month. A final report containing only actual participation data is due 90 days after the close of the report month. Also, a final annual report is due 30 days after the liquidation period (90 days after year-end).

Condition:

The following FNS-10 are either filed late or not provided for review:

<u>Reporting Period</u>	<u>Date Due</u>	<u>Date Submitted</u>
Oct. 1999(90 day)	01/29/00	10/18/00
Nov. 1999(90 day)	02/28/00	10/18/00
Dec. 1999(90 day)	03/31/00	10/18/00
Jan. 2000(90 day)	05/01/00	10/18/00
Feb. 2000(90 day)	05/29/00	10/18/00
Mar. 2000(90 day)	06/29/00	10/18/00
Apr. 2000(90 day)	07/29/00	10/18/00
May 2000(90 day)	08/29/00	10/18/00
Jun. 2000(90 day)	09/28/00	10/18/00
Sept. 2000(90 day)	12/29/00	01/12/01

Cause:

There appears to be a lack of controls over ensuring the timely submission of financial status reports.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Program.

Recommendation:

The grantee should ensure that FNS-10 is submitted timely and signed copies should be maintained through the audit process.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-05, Continued  
CFDA No.: 10.553/10.555  
Program Name: Child Nutrition Cluster  
Area: Reporting  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with the recommendation. Beginning February 2003, the Business Office will ensure that FNS-10s are submitted timely within the 30-days following the close of the report month.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-06  
 CFDA No.: 83.544  
 Program Name: Public Assistance Grants  
 Area: Procurement  
 Questioned Costs: \$1,567,905

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 10 (or 62%) out of 16 transactions, aggregating \$1,855,787 of \$2,057,025 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

	<u>Date</u>	<u>Vendor Number</u>	<u>Reference Number</u>	<u>Purchase Order</u>	<u>Amount</u>
1.	11/10/1999	10021	D01900224	C9909U0450	\$ 39,576
2.	11/10/1999	10021	D91903911	C9909U0450	54,444
3.	08/30/2000	10345	D01902553	C9906U0010	83,238
4.	09/26/2000	10021	D01902665	C9909U0450	9,140
5.	11/09/1999	10828	PMT EST NO. 04	99100045	283,663
6.	12/29/1999	10828	PMT EST NO #06	99100045	118,039
7.	12/29/1999	10828	PMT EST NO #05	99100045	576,279
8.	09/25/2000	10828	PMT EST NO #8	99100045	327,459
9.	09/25/2000	10828	PMT EST NO #7	99100045	220,728
10.	03/02/2000	10032	01Z0017022	99100066	29,551
					\$ <u>1,742,117</u>

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost exists, as follows:

Total costs questionable	\$1,742,117
X Federal share	90%
Total questioned costs	<u>\$1,567,905</u>

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Program.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-06, Continued  
CFDA No.: 83.544  
Program Name: Public Assistance Grants  
Area: Procurement  
Questioned Costs: \$1,567,905

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan dated November 24, 2003:

The Government of Guam Department of Public Works (DPW) procured all contracts for major repairs and replacements of the Guam Department of Education (GDOE) facilities and equipment damaged or destroyed by Typhoon Paka on December 16, 1997. Copies of the contracts were forwarded to the GDOE for payment purposes, however all procurement documentation remained at DPW. The GDOE is currently in communication with DPW to obtain access to the files or to determine what federal agency is in possession of the documents. The GDOE anticipates that the examination or determination of the location of the documents should be completed by January 31, 2004.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-07  
 CFDA No.: 83.544  
 Program Name: Public Assistance Grants  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$81,207

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as check copies, payment requests, vendor invoices, receiving reports, purchase orders, damage survey reports, and other attendant support, should be retained to substantiate expenditures.

Condition:

For 15 (or 94%) out of 16 transactions, aggregating \$1,855,787 of \$2,057,025 in total Program expenditures, no damage survey report (DSR) and/or receiving report (REC) was provided for the following transactions:

	<u>Date</u>	<u>Vendor Number</u>	<u>Reference Number</u>	<u>Purchase Order</u>	<u>Amount</u>	<u>Document Lacking</u>
1.	12/09/1999	10124	M-12386	99001861	\$ 9,552	DSR
2.	04/19/2000	10124	M-12659	99001862	16,600	DSR
3.	02/18/2000	10418	1139-25250	99001886	40,706	DSR
4.	04/13/2000	10418	1139-25315	99001886	8,867	DSR, REC
5.	09/27/2000	11161	3338	200000993	14,505	DSR, REC
6.	11/09/1999	10828	PMT EST NO. 04	99100045	283,663	DSR
7.	12/29/1999	10828	PMT EST NO #06	99100045	118,039	DSR
8.	12/29/1999	10828	PMT EST NO #05	99100045	576,279	DSR
9.	09/25/2000	10828	PMT EST NO #8	99100045	327,459	DSR
10.	09/25/2000	10828	PMT EST NO #7	99100045	220,728	DSR
11.	11/10/1999	10021	D01900224	C9909U0450	39,576	DSR
12.	11/10/1999	10021	D91903911	C9909U0450	54,444	DSR
13.	08/30/2000	10345	D01902553	C9906U0010	83,238	DSR
14.	09/26/2000	10021	D01902665	C9909U0450	9,140	DSR
15.	03/02/2000	10032	01Z0017022	99100066	29,551	DSR
					<u>\$1,832,347</u>	

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. A questioned cost exists, as follows:

Total costs questionable	\$ 1,832,347
Less costs already questioned at a previous finding (see 2000-06)	<u>(1,742,117)</u>
Total costs questionable at this finding:	
P.O. # 99001861	\$ 9,552
P.O. #99001862	16,600
P.O. # 99001886	40,706
P.O. # 99001886	8,867
P.O. #200000993	<u>14,505</u>
	\$ 90,230
X Federal share	<u>90%</u>
Total questioned costs presented at this finding	<u>\$ 81,207</u>

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-07, Continued  
CFDA No.: 83.544  
Program Name: Public Assistance Grants  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$81,207

Prior Year Status:

The above condition is reiterative of conditions identified in the prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls over record keeping in accordance with OMB Circular A-133 allowable costs/cost principles and the Common Rule. Also, the grantee should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan dated November 24, 2003:

The Government of Guam Department of Public Works (DPW) procured all contracts for major repairs and replacements of the Guam Department of Education (GDOE) facilities and equipment damaged or destroyed by Typhoon Paka on December 16, 1997. Copies of the contracts were forwarded to the GDOE for payment purposes, however all procurement documentation remained at DPW. The GDOE is currently in communication with DPW to obtain access to the files or to determine what federal agency is in possession of the documents. The GDOE anticipates that the examination or determination of the location of the documents should be completed by January 31, 2004.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-08  
CFDA No.: 84.027  
Program Name: Special Education – Grants to States  
Requirement: Period of Availability  
Questioned Costs: \$59,481

Criteria:

In accordance with the Grant Award Notification, funds appropriated in a fiscal year are available until the end of the succeeding fiscal year, with a ninety-day liquidation period.

Condition:

At the end of fiscal year 2000, unliquidated/unobligated balances remain after the fund's period of availability, as follows:

<u>Grant Year</u>	<u>End of Availability</u>	<u>Unliquidated/Unobligated Balance</u>
1997	1999	\$ 43,704
1998	2000	11,677
		\$ <u>55,381</u>

Furthermore, in fiscal year 2000, expenditures amounting to \$59,481 were charged to the 1997 grant after the fund's period of availability.

Cause:

There appears to be weak internal controls over ensuring that available balances are deappropriated/deencumbered after the fund's period of availability.

Effect:

The available balance for grant year 1997 is misstated. If the balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements. Furthermore, a questioned cost of \$59,481 exists.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with recommendation. Budget Journal Entries will be made in FY 2001 books in order to de-appropriate the balances showing in the financial statements. Will ensure that the fiscal year-end closing procedures include the de-appropriation of any unexpended balances.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-09  
CFDA No.: 84.027  
Program Name: Special Education – Grants to States  
Requirement: Level of Effort  
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 level of effort requirements, Guam DOE should not use federal funds received to reduce current year expenditures made from local funds below the level of those expenditures of the preceding fiscal year. Current year expenditures made from local funds should therefore be higher than or at least equal to prior year expenditures made from local funds.

Condition:

In fiscal year 1999, total Special Education expenditures made from local funds amounted to \$4,288,695. In fiscal year 2000, these expenditures decreased to \$4,175,729.72.

Cause:

Funds appropriated by the Government of Guam for Special Education appear to be decreasing.

Effect:

The grantee is in noncompliance with OMB Circular A-133 level of effort requirements. The grantor agency could possibly halt federal funding for Special Education if the level of effort requirement is not met.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should work with the Legislature to ensure compliance with the level of effort requirements.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

There is a concern being raised by the auditor that the Division of Special Education's local budget, as approved by the Legislature, has been reduced over the past several years, which by itself is proof that "Level of Effort" rules under OMB A-133 have been violated.

In 1998, 1999, 2000, and 2001 the Division of Special Education's budgets were approved as follows:

1998: \$4,553,802  
1999: \$4,288,695 (\$265,107 less from 1998, or 6% less from the previous year)  
2000: \$4,175,730 (\$112,965 less from 1999, or 3% less from the previous year)  
2001: \$3,950,630 (\$225,100 less from 2000, or 5% less from the previous year)

## GUAM DEPARTMENT OF EDUCATION

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

Finding No.: 1999-09, Continued  
CFDA No.: 84.027  
Program Name: Special Education – Grants to States  
Requirement: Level of Effort  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

This dollar amount represents only a portion of the total amount spent for Special Education services for the entire Guam Department of Education. The Division of Special Education, under local law and Board of Education policies, is charged with the (local) responsibility to provide direct, support, and administrative services for three groups of students: students with disabilities, students who are gifted and/or talented, and incarcerated students. Thus, when the auditor is looking solely at our division's budget, he is in fact looking at our budget for gifted and talented, incarcerated and special education direct, support and administrative services.

For the IDEA grant requirements, all "state" costs for educating students with disabilities, to include district level costs and local school (also known as local educational agency) level costs, are to be used for comparison purposes to determine if "Level of Effort" has been maintained or violated. Therefore, the first step in reviewing our "Level of Effort" responsibility would be to determine how much of our division's budget is allocated just for the direct, support and administrative services for students with disabilities. These costs can be categorized as state and district level funding support for the overall budget for providing direct, support and administrative funding for special education for the entire Guam Department of Education.

In addition to the "state and district" funds appropriated to our division, we need to determine the LEA (local educational agency) costs budgeted by each school, in order to add this dollar amount to the state and district level costs, if we are to develop a formula for identifying the total costs for special education in Guam.

Each school (LEA) has its own budget that is submitted for approval by the Guam Board of Education and the Guam Legislature. Within each school's budget, there are personnel FTEs allocated for resource room teachers (special education teachers), basic supplies for all students (including students in the resource rooms), and the utility and maintenance costs for the entire school, to include resource rooms (and special program rooms at selected schools).

From year to year, the names of the special education teachers may change due to resignations, retirements, or transfers. The special education teachers on each school's staffing patterns and school budget submissions (as approved by the Legislature) are not given any type of code to allow us to readily extract their salaries from each school's staffing pattern in order to compute a school's special education salary costs over the years. In addition, we would have to calculate the number of special education students at each school, because each student (including special education students) generates a dollar amount for instructional supplies, custodial supplies, nursing supplies, library supplies, special education teacher supplies and administrative supplies that is used for budgeting purposes. Our utility and maintenance costs would be dependent on the square footage of the total resource rooms, special program classrooms and Consulting Resource Teacher rooms that are used exclusively for those purposes. We would have to take the total amount budgeted (or spent) for each school and divide it by the total square footage being used exclusively for special education purposes.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 1999-09, Continued  
CFDA No.: 84.027  
Program Name: Special Education – Grants to States  
Requirement: Level of Effort  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Once the LEA costs can be segregated from the overall school budget (or actual expenditures), then we can add this to the disaggregated costs from the Division of Special Education budget that is earmarked just for students with disabilities. Then and only then, can we come up with a figure that can be used for comparison purposes from year to year to determine if our “Level of Effort” has been maintained or violated.

To compound this issue, our federal grant has been increasing, approximately \$300,000 per year over the last three fiscal years, while our overall DOE budget has seen cuts over the past three fiscal years.

So what efforts has the Division of Special Education taken to try to maintain the requirements to use federal funds to supplement and not supplant local efforts for special education? Let me provide two examples of how we are diligently holding the line when it comes to requests for funding that we deem inappropriate, due to concerns about supplanting versus supplementing.

When school principals ask us to fund resource room teacher FTEs, we first review the history of the number of resource room FTEs that have been locally funded at that particular school. For instance, if they’ve always locally funded two teachers and due to an increase in the number of special education students find that they are in need of a third resource room teacher in the middle of a fiscal year, we will fund the third FTE, because we are assured that this would be a clear case of using our federal funds to supplement the prior level of two teachers.

If however, we discover that two fiscal years ago, the school had two FTEs for resource room teachers and for whatever reason, had only one for the last fiscal year and are now asking us to restore them back to two FTEs by using federal funds to hire the second FTE, we would not approve such a request.

Recently, we received a request from a school principal to emergency fund the replacement of the entire contents of a totally destroyed resource room, to include all instructional materials, textbooks, desks, etc. We have disapproved such a request, because this would normally be submitted for FEMA reimbursement and there are funds appropriated by the Guam Legislature for the local matching requirement.

As you can see just by these two examples, the management of special education is cognizant of its responsibility relative to the concern of using federal funds to supplant local “Level of Effort” requirements enumerated in the IDEA regulations.

Auditors’ Response:

The grantee has not provided any financial data to indicate compliance with level of effort requirements. Therefore, the finding remains.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-10  
 CFDA No.: 84.922  
 Program Name: Consolidated Grants  
 Requirement: Reporting  
 Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 reporting requirements, reported net outlays should be supported by accounting records.

Condition:

The financial status report is incomplete, as follows:

<u>Grant Year</u>	<u>Expenditures Per FSR 269</u>	<u>Expenditures Per Financial Management System</u>	<u>Over (Under) Reported</u>
2000	\$ 0	\$1,558,383	\$(1,558,383)
1999	\$7,116,180	\$7,220,472	\$( 104,292)

Cause:

It is the grantee's understanding that one financial status report be prepared only for the grant award whose funding period ends during the fiscal year, and the grantor agency has not corrected such incomplete procedure. Furthermore, there appears to be weak internal controls over ensuring that expenditures per the SF 269 and financial management system reconcile.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements. The financial status report submitted for fiscal year 2000 is incomplete.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish internal control procedures to ensure that all Federal expenditures recorded in the financial management system are reported in financial status reports, regardless of the grant year, in accordance with OMB Circular A-133 reporting requirements. Furthermore, prior to submitting the FSR 269, the responsible personnel should perform a reconciliation of reported amounts and accounting records. Any discrepancies should be immediately investigated and resolved.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-10, Continued  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Reporting  
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

We concur with the auditors' recommendations. Beginning FY 2003, the Budget Analyst within the Federal Programs Division will ensure that the reporting of the Consolidated Grant expenditures are recorded in the financial management system and in agreement with the yearly financial status reports. The Accounting Supervisor from the Business Office will perform the reconciliation of the reported amounts and accounting records. Any discrepancies will be immediately investigated and resolved.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-11  
 CFDA No.: 84.922  
 Program Name: Consolidated Grants  
 Requirement: Allowable Costs/Cost Principles  
 Questioned Costs: \$113,426

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements,

- (1) All financial records should be maintained on file to substantiate expenditures.
- (2) All expenditures should be properly authorized.

Condition:

- (1) For the expenditures indicated below, payment documents, invoices or receiving reports were not maintained on file.

	<u>Vendor Name</u>	<u>Transaction Amount</u>	<u>Reference Number</u>	<u>Questioned Costs</u>
a.	SRA/MacMillan Unlocated: Receiving report for goods in the amount of \$820 (20 units of ISBN #0-02-686357-6)	\$ 13,055	200001798	\$ 820
b.	SRA/MacMillan Unlocated: Invoice in the amount of \$39,232, and receiving report for goods in the amount of \$1,009 (26 units of item # 0-02-686377-4)	\$ 39,232	200001683	\$ 39,232
c.	GSA Unlocated: Document indicating date & amount paid, invoices, and receiving reports	\$ 64,420	AJE 948	\$ 64,420
d.	McGraw-Hill Sch. Division Unlocated: Invoice	\$ 8,954	200001795	\$ 8,954

- (2) An adjusting journal entry was made without an authorizing signature.

<u>Reference</u>	<u>Description</u>	<u>Amount</u>	<u>Questioned Costs</u>
AJE 948	Accrual for GSA Supplies Requisitions	\$ 64,420	\$ 64,420

Cause:

- (1) There appears to be weak record keeping controls over ensuring that financial records are maintained to substantiate expenditures.
- (2) There appears to be weak record keeping controls over ensuring that approval of adjusting journal entries is documented and maintained on file.

Effect:

- (1) The grantee may be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements. A questioned cost of \$113, 426 exists.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-11, Continued  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Allowable Costs/Cost Principles  
Questioned Costs: \$113,426

Effect, Continued:

- (2) The grantee may be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements. As this amount is included as a questioned cost in Condition (1) of this finding, no further questioned costs result from this condition.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

- (1) The grantee should maintain all necessary documentation to substantiate all expenditures.
- (2) The grantee should ensure that all adjusting journal entries are authorized. Adjusting journal entries should be reviewed and signed "approved" by the financial controller or other appropriate individual prior to being entered in the financial management system.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

- (1) Management concurs with the auditors' recommendation.
  - a. Unable to locate receiving report. Will ensure that future prepayments made are followed up for receiving reports and invoices.
  - b. Unable to locate invoice and receiving report. Will ensure that future prepayments made are followed up for receiving reports and invoices.
  - c. Payments made for GSA billings are not made in the same manner as payments for other vendors. At the discretion of the Department of Administration, amounts due to GSA are deducted from the weekly allotment check to DOE. As of 1/27/03, DOA has not yet reconciled DOE's liability for GSA charges. Invoices from GSA, when they are received, include the signature of the receiving party. Will make efforts in the future to request a listing of invoices paid out of DOA allotment deductions.
  - d. Unable to locate invoice. Will ensure that future prepayments made are followed-up for receiving reports and invoices.
- (2) Adjusting journal entry #948, Accrual for GSA Supplies, is a recurring journal entry. The adjustment was made without an authorizing signature merely to expedite the accounting process. Will ensure that future journal entries are properly authorized before entered into the financial management system.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-12  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Period of Availability  
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, funds appropriated in July of a fiscal year remain available for obligation during the succeeding 27 months.

Condition:

There is an unexpended balance of \$398,414 from grant year 1997, whose period of availability ended prior to the fiscal year ended September 30, 2000.

Cause:

There appears to be weak internal controls over ensuring that available balances are deappropriated after the fund's period of availability.

Effect:

The available balance for grant year 1997 is misstated. If such balance is not properly deappropriated, the grantee could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

Management concurs with the auditors' recommendation. We will ensure that in the future, unexpended balances will be de-appropriated in a timely manner.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-13  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Subrecipient Monitoring  
Questioned Costs: \$ 0

Criteria:

In accordance with OMB Circular A-133 subrecipient monitoring requirements,

- (1) The grantee shall identify to the subrecipient the Federal award information.
- (2) The grantee shall document monitoring activities performed to ensure that the subrecipient used funds for authorized purposes.

Condition:

- (1) Agreements between grantee and Guam Community College (subrecipient) for the: Driver's Education, Integrating Science and Allied Health, Work Experience, and Technology Education programs did not specify CFDA title and number, award name, name of Federal agency, or compliance requirements applicable to such award.
- (2) The grantee did not maintain documentation of monitoring activities performed.

Cause:

There appears to be weak controls over ensuring that subrecipient monitoring activities are properly documented.

Effect:

The grantee may be in noncompliance with OMB Circular A-133 subrecipient monitoring requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

- (1) The grantee should ensure that subrecipient agreements specify CFDA title and number, award name, name of Federal agency, and compliance requirements applicable to such award.
- (2) The grantee should maintain documentation of all monitoring activities performed.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-13, Continued  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Subrecipient Monitoring  
Questioned Costs: \$ 0

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

Management concurs and will ensure the following:

- (1) By no later than April 1, 2003, the Administrator, Federal Programs will append to the Guam Community College sub-grant the CFDA title and number, award name, name of Federal agency, and compliance requirements for subrecipients. A copy will be forwarded to GCC.
- (2) By no later than April 1, 2003, the Administrator, Federal Programs shall develop an on-site monitoring plan and schedule for all GCC programs. The Administrator, Federal programs or designee shall conduct on-site monitoring reviews, report the findings, and maintain records of all monitoring activities.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-14  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Procurement  
Questioned Costs: \$ 2,500

Criteria:

In accordance with OMB Circular A-133 procurement requirements, procurements shall provide full and open competition among vendors.

Condition:

- (1) School supplies in the amount of \$64,420 were requisitioned from the Government of Guam General Services Agency without performing price comparisons with other vendors.
- (2) Check # 220587 in the amount of \$2,500 was paid to the Terry O'Connor for continuing education training, however there was no written documentation of price comparisons with other vendors.

Cause:

There appears to be weak controls over ensuring that price comparisons among vendors are documented.

Effect:

- (1) The grantee may be in noncompliance with OMB Circular A-133 procurement regulations. As questioned costs for the above are reflected in Finding No. 2000-11, no further questioned costs are presented at this condition.
- (2) The grantee may be in noncompliance with OMB Circular A-133 procurement regulations. A questioned cost of \$2,500 is presented at this finding.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should perform price comparisons with other vendors and maintain documentation of such price comparisons to substantiate that the lowest priced vendor was selected. If the lowest priced vendor was not selected, documentation of the rationale for the selection of the vendor should be maintained on file.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-14, Continued  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Requirement: Procurement  
Questioned Costs: \$ 2,500

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

- (1) All schools and divisions of the Department are instructed to request for supplies, first, through GSA and then through outside sources. The rationale behind this is that, GSA has already gone through the price comparison to obtain the best vendor for all government agencies. If an item requested is listed as "not in stock" then an outside vendor is justifiable, whereby a comparison of at least three (3) vendors are made to obtain the best vendor price.
- (2) Concur, will ensure that this situation will not be a repeated action. By February 2003, the Business Office will ensure that all training is properly authorized and funded in a timely manner.

Auditor's Response:

No documentation of cost comparisons between GSA and other vendors was maintained to substantiate that the prices of supplies requisitioned through GSA were the lowest available. Therefore, the finding remains.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-15  
CFDA No.: 93.600  
Program Name: Head Start Program  
Area: Procurement  
Questioned Costs: \$0

Criteria:

In accordance with DOE procurement regulations, requests for proposal (RFP) or requests for bid should be available for at least fifteen days prior to the specified opening date for the evaluation process.

Condition:

For one (or 11%) out of nine procurement transactions tested, (i.e., 99001386 PO99, amounting to \$20,849), the invitation to bid was published on June 23, 2000, with an opening day of June 29, 2000, resulting in only seven days for potential bidders to respond.

Cause:

The cause of this condition appears to be procurement's effort to reduce bidding time so that funds could be obligated for the grant award period ended June 30, 2000.

Effect:

The grantee is in noncompliance with DOE procurement regulations. In addition, lower bids from responsive bidders could have been received had bidders been given the required fifteen days to respond.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The procurement supervisor should adhere to the department's internal control procedures to ensure that invitations to bid are available for at least fifteen days in compliance with procurement regulations. The Department should also plan ahead so that all funds authorized for the budget period are obligated at the end of the grant period.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the auditor's recommendation. Beginning February 2003, the Procurement Office will ensure that the full fifteen days notice is made available. Periodical testing will be incorporated in our internal review plan to ensure full compliance.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-16  
CFDA No.: 93.600  
Program Name: Head Start Program  
Area: Reporting  
Questioned Costs: \$0

Criteria:

Semi-annual cumulative Financial Status Reports (SF 269) are to be submitted within 30 days after the end of the second and fourth quarter of each budget period. A final SF 269 is due within 90 days after the end of each budget period. This is a total of three cumulative SF 269s for each budget period.

Condition:

We could not determine when the following reports were submitted to the grantor agency due to the lack of mailing receipts or facsimile transmittals:

<u>Reporting Period</u>	<u>Date Due</u>	<u>Date of the Report</u>	<u>Date Submitted</u>
07/01/99 – 12/31/99	01/31/00	01/12/00	Unknown
01/01/00 – 6/30/00	07/31/00	07/28/00	Unknown
07/01/99 – 6/30/00	09/30/00	10/31/00	Unknown

Cause:

There appears to be weak record keeping controls.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should ensure that Financial Status Reports are submitted timely and copies should be maintained through the audit process. Additionally, we recommend that the grantee indicate date mailed to evidence compliance.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the auditor's recommendation. By March 2003, the Business Office will ensure that quarterly reconciliation process is done to ensure accuracy of reports, and that Financial Status Reports are submitted timely and copies should be maintained through the audit process. Business Office will also document the date mailed to show compliance.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-17  
CFDA No.: 93.600  
Program Name: Head Start Program  
Area: Special Tests and Provisions  
Questioned Costs: \$101,913

Criteria:

In accordance with OMB Circular A-133 special tests and provision requirements, the grantee should comply with the specific requirements that are unique to each Federal program and that are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Item seven of the program award's Terms and Conditions states that the grantee shall liquidate all obligations incurred under the award no later than ninety days after the end of the budget period.

Condition:

During fiscal year 2000, a total of \$101,913 was expended and liquidated under the 1998 grant. However, the liquidation period for the 1998 grant expired on September 30, 1999.

Cause:

There appears to be a lack of internal controls over ensuring that liquidation occurs within the fund's period of availability.

Effect:

The grantee is in noncompliance with the Terms and Conditions, which results in questioned costs of \$101,913.

Recommendation:

The grantee should ensure that all obligations are liquidated within ninety days after the budget period.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Attached is a copy of Grant Award #09CH8453/33 Amendment #2 indicating the project period as "Indefinite." The extension was requested to accommodate the time needed for repairs necessitated by Typhoon Paka.

Auditor Response:

Grant Terms and Conditions specify that for grants with an indefinite project period, "liquidation of obligations should occur not later than 90 days after each budget period." As no extension of the budget period appears to have been granted, this finding remains.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-18  
CFDA No.: 84.181  
Program Name: Special Education: Infants and Families with Disabilities  
Requirement: Period of Availability  
Questioned Costs: \$14,917

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, funds appropriated in July of a fiscal year remain available for obligation during the succeeding 27 months.

Condition:

There are unexpended balances from grant years 1997 and 1998, whose period of availability ended prior to the fiscal year ended September 30, 2000. The aggregate total of unexpended balances is \$28,152, as follows:

<u>Grant Year</u>	<u>Year Period of Availability Ended</u>	<u>Unexpended Balance at 09/30/00</u>
1997	1999	\$ 4,278
1998	2000	<u>23,874</u>
		\$ <u>28,152</u>

Furthermore, expenditures totaling \$14,917 were charged to grant year 1997, whose period of availability ended prior to September 30, 1999.

Cause:

There appears to be weak internal controls over ensuring that available balances are deappropriated/deencumbered after the fund's period of availability.

Effect:

Available balances for grant years 1997 and 1998 are misstated. If such balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements. Furthermore, a questioned cost of \$14,917 exists.

Recommendation:

The grantee should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with recommendation. Budget Journal Entries will be made in FY 2001 books in order to de-appropriate the balances showing in the financial statements. Will ensure that the fiscal year-end closing procedures include the de-appropriation of any unexpended balances.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-19  
CFDA No.: 84.922  
Program Name: Consolidated Grants  
Area: Level of Effort  
Questioned Costs: \$0

Criteria:

In accordance with the General Provisions of the Elementary & Secondary Education Act, the combined fiscal effort per child or the aggregate expenditures for the preceding year must be at least 90% of the combined fiscal year effort per child or aggregate expenditures for the second preceding fiscal year.

Condition:

The grantee appears to be in compliance with level of effort requirements; however, such determination is based on unaudited schedules of local expenditures.

Cause:

The grantee's general purpose financial statements were not audited for fiscal years 1999 and 1998.

Effect:

Actual compliance with level of effort requirements cannot be determined.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should determine whether audits of its FY 1999 and FY 1998 general purpose financial statements are required to meet this requirement.

Auditor Response:

A response and corrective action plan from the auditee is not considered necessary since the grantee appears to be in compliance with level of effort requirements.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2000

Finding No.: 2000-20  
Area: General Ledger

Criteria:

A functioning general ledger should be maintained and general ledger balances should be periodically reconciled with subsidiary ledgers and with bank reconciliation balances.

Condition:

The Department of Education did not maintain accurate general ledger balances during the three years ended September 30, 2000. Reconciliations with subsidiary ledgers and with bank reconciliation balances were therefore not performable. While the Department did maintain subsidiary ledgers detailing expenditures by account or by federal program, no overall general ledger total was maintained and reconciled to the subsidiary ledgers. Therefore, it was not possible during these years to ensure that all expenditures were duly recorded in the subsidiary ledgers.

Cause:

The cause of this condition is that once the general ledger was not periodically reconciled with underlying subsidiary ledgers, the task became so enormous that it was postponed.

Effect:

The effect of this condition is that the general ledger balances were determined as of September 30, 2001. The Department of Education is now in the process of rolling forward such reconciliations through 2002 and 2003. The Department has recognized this requirement and has accordingly committed to a March 31, 2004 deadline for the September 30, 2002 fiscal year end audit and a June 30, 2004 deadline for the September 30, 2003 audit. Until the general ledger balances are rolled forward, it is not possible to perform current period reconciliations and therefore, this process is ongoing in conjunction with the aforementioned audits.

Recommendation:

The Department of Education must continue to commit necessary resources to complete the audits per the aforementioned timetables. Once such audits are completed, the Department should be in a position to carry forward the reconciliations and to be able to prepare timely, accurate interim financial statements.

Auditee Response and Corrective Action Plan:

No specific response is required from the auditee as the Department has already committed to the recommended corrective action described above.

GUAM DEPARTMENT OF EDUCATION

Schedule of Prior Year Findings and Questioned Costs  
Year Ended September 30, 2000

Unresolved Prior Year Comments

There are no unresolved prior year internal control findings from fiscal year 1997 and prior years. The Schedule of Expenditures of Federal Awards for the years ended September 30, 1998, 1999, and 2000 were audited concurrently.