
GUAM DEPARTMENT OF EDUCATION IAO LIMITED COMPLIANCE REVIEW OF SOPS

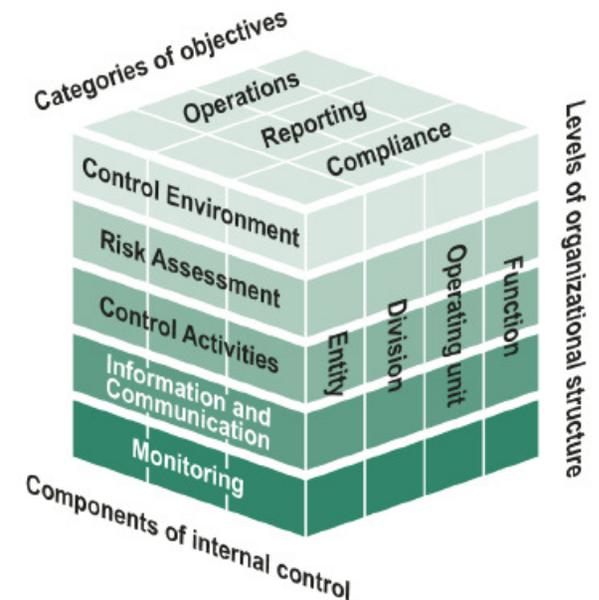


TABLE OF CONTENTS

- Internal Controls - Standard Operating Procedures (SOP)
- Background - Comprehensive Corrective Action Plan (CCAP) and Special Conditions
- SOPs Under Current Review
- IAO Limited SOP Review - Process
- Any Questions?

INTERNAL CONTROLS - SOP

- Government Accountability Office (GAO)'s Standards for Internal Control
 - SOPs are part of GDOE's control activities.
 - Management documents policies for each unit the responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness (Section 12.03).
 - Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities (Section 12.04).
 - Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks (Section 12.05).



Sources: COSO and GAO. | GAO-14-704G

BACKGROUND – CCAP & SPECIAL CONDITIONS

- In 2014, GDOE identified 33 SOPs critical to the transition of the TPFA's responsibilities to GDOE.
- In 2015, the number of critical SOPs increased to 35 with the addition of SOP 200-038 for Purchase Order Change Order and an SOP for the Schedule of Expenditures of Federal Awards.
- Per transition discussions, GDOE management agreed to provide on-going training on the SOPs to employees; to require employees to certify that they understand and will comply to the SOPs; to ensure the SOPs are updated, approved, and implement; and for IAO to review the SOPs. This was acknowledged by the Third Party Fiduciary Agent in a transition report.
- In June 2016, the U.S. Department of Education's Special Conditions Letter required for the completion and testing of all new SOPs.
- Based on the September 2016 CCAP, updates and training sessions on the SOPs should be substantially completed by the end of 2016.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

June 28, 2016

Superintendent Jon Fernandez
Guam Department of Education
500 Mariner Avenue
Barrigada, Guam 96913

Dear Superintendent Fernandez:

Enclosed are Federal Fiscal Year (FFY) 2016 special conditions for U.S. Department of Education (Department) grants awarded to the Guam Department of Education (GDOE). The special conditions will apply to all grants awarded by the Department to GDOE on or after the date of these special conditions. Additionally, the special conditions apply to all grant funds previously awarded by the Department to GDOE that are still available for obligation or liquidation on the date of these special conditions.

The FFY 2016 special conditions are in continued response to GDOE's failure to successfully address significant problems in fiscal accountability for Department grant funds. These problems led to the FY 2003 designation of GDOE as a "high-risk" grantee under former 34 CFR § 80.12. In the FFY 2007 special conditions, the Department required GDOE to address its inadequate financial management of Department grant funds by developing and implementing a Comprehensive Corrective Action Plan (CCAP); however, the Department concluded that GDOE had failed to make significant progress in implementing the CCAP tasks and measures, including, in particular, a new Financial Management Improvement System (FMIS). Thus, the Department determined that GDOE must have the assistance of a third-party fiduciary agent to oversee the financial management of Department funds, to assist GDOE in implementing its CCAP, and to assist GDOE in implementing the new FMIS. GDOE entered into a third-party fiduciary agent contract with Alvarez & Marsal, LLC (A&M) (Agent) on September 13, 2010.

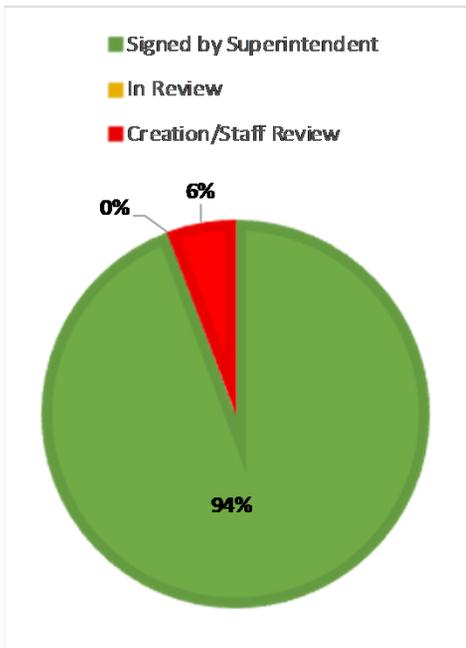
The Department acknowledges a plan developed by GDOE in conjunction with A&M to initiate activities to support a gradual transition that will result in the removal of the Department's third-party fiduciary requirement. This transition plan will augment the Department's requirement to implement and report quarterly on its CCAP and require GDOE leadership to commit to: (1) securing necessary human resources within GDOE to ensure effective business operations and accountability that will enable GDOE to manage and administer Department grant awards in compliance with applicable Federal requirements; and (2) completing and testing all new standard operating procedures.

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As of December 09, 2016

Legend

✓ Signed by Superintendent	33
🔄 In Review	0
● Creation/Staff Review	2
Total	35



Accounting

- ✓ Month End and Year End Closing Policy
- ✓ Off-island Travel Procedures
- ✓ Bank Reconciliation Procedures
- ✓ Capital Assets Accounting and Reporting
- ✓ General Ledger
- ✓ Local Mileage Reimbursement
- ✓ Accounts Payable and Cash Disbursement
- ✓ Accounts Receivable
- ✓ School Meals Collection
- ✓ Revenue Control and Management Policy
- SEFA Reconciliation

Payroll

- ✓ Payroll Processing

Budget

- ✓ Budget Entry Process
- ✓ Budget Preparation Process

Federal Programs

- ✓ Time Distribution Report
- Grant Procedures Manual

Human Resources

- ✓ Employee Name Change Request
- ✓ Reclassification of Teachers
- ✓ Request to Fill Position(s) for Recruitment
- ✓ Salary Increments and Detailed Differential Pay
- ✓ Transfer and Voluntary Demotion

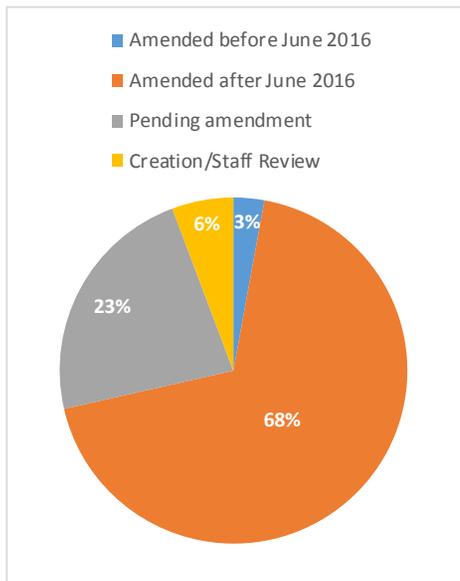
Supply Management

- ✓ Fixed Asset Management for Property and Warehouse
- ✓ Fixed Asset Management for Schools and Divisions
- ✓ Sole Source Procurement
- ✓ Maintaining the Procurement Record
- ✓ Request for Purchase Order & Contract Modifications
- ✓ Emergency Procurement
- ✓ Competitive Sealed Bidding Indefinite Quantity Bid
- ✓ Competitive Sealed Bidding Invitation for Bid
- ✓ Competitive Multi-Step Sealed Bidding
- ✓ Competitive Selection Procedures for Services Request for Proposal
- ✓ Protest/Appeal Procedures
- ✓ Request for Information Procedures
- ✓ Requisition Entry
- ✓ Purchase Order Change Order

As of December 09, 2016

Legend

✓ Amended before June 2016	1
✗ Amended after June 2016	24
⌚ Pending amendment	8
● Creation/Staff Review	2
Total	35



Accounting

- ✗ Month End and Year End Closing Policy
- ⌚ Off-island Travel Procedures
- ✗ Bank Reconciliation Procedures
- ✗ Capital Assets Accounting and Reporting
- ✗ General Ledger
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- ⌚ Purchase Order Change Order

Update: Of the 25 amended SOPs, only SOP 200-044 SEFA Reconciliation had staff training and staff acknowledgement forms completed dates per GDOE's Transition Plan dated December 30, 2016.

SOPS UNDER CURRENT REVIEW

- In October 2016, IAO issued its Travel Audit to the Acting Superintendent, which included a review of SOP 200-021.
 - The audit was initiated in response to a citizen concern regarding the administration of off-island travel relative to the 2015 International Society for Technology in Education and National Center for Education Statistics Data conferences.
- IAO initiated three limited compliance reviews:
 - SOP 200-019, Fixed Asset Management for Schools and Divisions in November 2016.
 - Entrance Conference was held on November 21, 2016. Walkthrough was held on December 7, 2016.
 - Testing to be scheduled in January 2017.
 - SOP 200-041, Fixed Asset Management for Schools and Divisions in November 2016.
 - Pending confirmation from Financial Affairs Office on the date for Entrance Conference.
 - SOP 900-020, Time and Effort Certification and Time Distribution Report in December 2016.
 - Entrance Conference was held on December 22, 2016.
 - Walkthrough to be scheduled in January 2017.

IAO LIMITED SOP REVIEW

- IAO's periodic and limited review of GDOE's SOPs serves as part of the Monitoring component of GDOE's internal controls.
 - IAO's review will highlight procedures deviating from the SOPs or non-compliance to relative laws, rules, and regulations.
- Review is highly focused, covering a smaller period (limited scope) and will be completed within a shorter period.
- Although the review is **not** an audit, IAO will generally follow the same audit steps as it would for its other audits/reviews.
 - Audits provide essential accountability and transparency over government programs (GAO's 2011 Government Auditing Standards).
 - All internal auditors are accountable for conforming with internal auditing standards related to individual objectivity, proficiency, and due professional care (Institute of Internal Audit's 2013 International Standards for Professional Practice of Internal Auditing).

IAO LIMITED SOP REVIEW CONT'D.

- Audit Initiation
 - Obtain approval from the Superintendent to initiate limited SOP review.
 - Select SOPs with implementation dates of 6 months and over; and based on risk and readiness.
 - For example, IAO selected SOP 200-019 because its most recent revision was approved by the Superintendent on April 1, 2016.
 - Send Engagement Letter to Deputy Superintendent and/or Division Heads.
 - Entrance Conference Meeting
 - Introduction of audit team, explanation of audit procedures, and inquire for management concerns.
- Survey
 - Deficiencies identified in prior audits/reviews
 - Walkthrough of SOPs
 - Observation and interviews with personnel administering the SOP.
 - Obtain preliminary documents used in carrying out the activities prescribed in the SOP.
 - Begin drafting Internal Control Assessment
 - Identify weaknesses in the internal controls used for administering the SOP.

IAO LIMITED SOP REVIEW CONT'D.

- Fieldwork
 - Select sample transactions conducted for the administration of the SOP.
 - Samples are selected based on risk. For example, IAO may select high dollar value transactions or transactions that occurred during a certain time period.
 - Test documentation against SOP.
 - Finalize Internal Control Assessment.
 - Develop preliminary audit findings and draft recommendations.
 - Send preliminary findings to Division administering the SOP to obtain their feedback and response for corrective actions.
- Reporting
 - Draft report for the Chief Internal Auditor's review.
 - Draft report for the Acting Superintendent's review.
 - Report is completed upon the Acting Superintendent's approval.
 - Reports can only distributed to authorized individuals upon the Acting Superintendent's approval.

CONCLUSION

- Management is responsible for an effective internal control system. As part of this responsibility, management sets the entity's objectives, implements controls, and evaluates the internal control system (GAO-14-704G, Standards for Internal Control in the Federal Government, OVI.06).
- Board Policy 702 Manager's Internal Control Program and SOP 1600-002 Guam Public School System Manager's Internal Control Program requires for Administrators and Managers to develop and implement appropriate, cost-effective internal controls for results-oriented management.
- IAO's role is to assist GDOE Management in monitoring the activities administered by the divisions with SOPs critical to GDOE's transition.
- IAO's review is limited in scope, will generally follow standard audit procedures, and will be completed within a short period of time.

ANY QUESTIONS?

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