



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

## **DEPARTMENT OF EDUCATION PUBLIC INFORMATION OFFICER**

www.gdoe.net  
501 Mariner Avenue  
Barrigada, Guam 96913  
Telephone: (671) 300-1677 • Fax: (671) 472-5001  
Email: [ijbbaza@gdoe.net](mailto:ijbbaza@gdoe.net)



**ISA J. B. BAZA**  
Public Information Officer

**May 16, 2019**

### **FOR IMMEDIATE RELEASE**

#### **GDOE RECEIVES 6TH CONSECUTIVE CLEAN AUDIT FOR BOTH FINANCIAL STATEMENTS AND FEDERAL GRANT COMPLIANCE**

For the sixth year in a row, the Guam Department of Education (GDOE) received a clean audit opinion on its financial statements and its compliance with federal program requirements for Fiscal Year (FY) 2018. This also marks the fourth consecutive year that the agency audit has shown no material weaknesses. The audit reports were completed by Deloitte and Touche, LLP, and were issued on May 16, 2019.

The GDOE ended FY 2018 with a \$2.2 million (M) surplus, compared to a \$4.9M surplus in FY 2017, and compared to deficit (losses) from FY 2014 to FY 2016. The reduction in surplus was primarily due to the \$13.4M decrease in total revenues as a result of the Federal Tax Cuts and Jobs Act of 2017. Further cuts in local funding emphasize the importance of controlling local expenditures and prudent financial management so that the GDOE school district is able to meet the 14 points of the Adequate Education Act.

Sustaining clean audit performance is a critical component for addressing the department's "high risk" designation imposed by the U.S. Department of Education (ED). The GDOE has completed and issued its financial and Single Audit reports within nine months of the fiscal year end since FY 2004. Under the Superintendent's leadership, the GDOE has achieved its best audit performance and consecutive clean opinions for the last six years. Further, were it not for the high risk designation, the GDOE would have qualified as a low risk auditee due to its continued unmodified opinions, no material weaknesses, and nominal questioned costs.

In March 2019, ED issued its (Corrected) Amended FFY 2018 Specific Conditions Letter, which removed three of the seven required specific conditions imposed on the GDOE due to its high risk designation. One of the remaining specific conditions is for the timely issuance of Single Audit reports. Given the department's audit performance and track record for timely completion of audit reports, the GDOE will continue to collaborate with ED in efforts to remove the Single Audit condition.

"This is our strongest audit performance to date, and having six straight years of clean audits speaks to the considerable progress our department has made in terms of financial management and compliance with federal programs," GDOE Superintendent Jon Fernandez said. "Currently, our federal counterparts are scheduled for an on-site visit later this month. We are glad to have

our audit issued prior to their arrival and look forward to demonstrating our continued operational improvement and accountability in reporting federal funds.”

“The fact that three specific conditions imposed on our department since the early 2000’s have been removed is a significant achievement. Now, with six consecutive clean audits, we are well on our way to sustaining the momentum needed to continually demonstrate our department’s progress as we push to remove our high risk designation,” Guam Education Board Chairman Mark Mendiola said.

“The Governor and I are very pleased with the audit findings. We have a strong partnership with GDOE and want to strengthen the case to end the third party fiduciary requirement being imposed by the U.S. Department of Education,” said Acting Governor Joshua Tenorio. “Our Administration is working with GDOE to further secure federally funded assets for our public schools, and we are working on a plan to address facility needs.”

Although the GDOE sustained its clean audit opinions, the independent auditors identified a finding considered as a significant deficiency for internal controls over major federal programs relative to fixed assets:

- Finding 2018-001: the GDOE did not comply with applicable equipment and real property management requirements over the safeguarding of property.
  - 71 items (or 0.2%), totaling \$75,389 in acquisition costs with a net book value of \$6,274, could not be located at the time of the GDOE’s physical inventory.
  - 612 items (or 2%), totaling \$485,405 in acquisition costs with a net book value of \$30,027, were classified as stolen. Such items include computers, laptops, notebooks, tablets, printers, cameras, projectors, televisions, and air conditioners.

While the GDOE disagreed with the finding, the GDOE is in the process of taking action to address the deficiency, has strengthened internal controls and developed new Standard Operating Procedures. The GDOE is currently awaiting ED’s disposition related to this finding.

**- END OF STATEMENT -**