

May 5, 2017

FOR IMMEDIATE RELEASE

### GDOE Receives a Clean Audit for Fiscal Year 2016

The Guam Department of Education (GDOE) has received a clean audit opinion on its financial statements and its compliance with federal program requirements for Fiscal Year 2016 with no material weaknesses or questioned costs. This marks the fourth consecutive year that the agency has received a clean opinion on its financial statements and federal program compliance and the second consecutive year with no material weaknesses or questioned costs. The audit reports were completed by Deloitte and Touche, LLP, and were issued on May 4, 2017.

Superintendent Fernandez commented, "The FY 2016 audit reflects the hard work and determination of our employees to continue the improvements we have made over the past few years. The results show that we have made progress and that we are sustaining it. For an agency this large and complex, this is a major accomplishment, and I'm proud of what we have achieved."

GDOE's audit performance is a critical benchmark for addressing the U.S. Department of Education's (USDOE) designation of the department as "high risk". In the early 2000s, GDOE was declared to be unauditible, essentially unable to produce reliable financial statements for the agency, which precipitated the department's "high risk" designation. In 2009, USDOE issued special conditions requiring GDOE to improve its implementation of the federally-approved Comprehensive Corrective Action Plan (CCAP) and to hire a Third Party Fiduciary Agent (TPFA) in order to maintain access to federal education funds. Since 2012, GDOE has been required to pay for the TPFA out of local funds at a cost of approximately \$3 million each year.

With the completion of the FY2016 audit, GDOE's two consecutive years of unmodified opinions in its financial statements and Single Audits allows for GDOE to qualify as a low-risk auditee and be eligible for reduced audit coverage in accordance with Title 2 of the Code of Federal Regulations Section 200.520 for FY 2017. However, the USDOE's designation of GDOE as a high-risk grantee may prevent the department from obtaining the low-risk auditee designation.

"It is undeniable progress for GDOE to meet the federal requirements to be considered a low-risk auditee," said Frank Cooper-Nurse, Chief Auditor for GDOE. "Our job now would be to raise this to the attention of USDOE. The audit performance provides further support that GDOE has implemented corrective actions and internal controls necessary to request USDOE's reconsideration of its special conditions."

GDOE's independent auditors identified two findings considered as significant deficiencies for internal controls over major federal programs relative to level of effort and procurement specifically:

- Finding 2016-001 cites GDOE for not having financial information from GovGuam to determine level of effort for early intervention services to children from birth to two years old. GDOE did not concur with the auditors' finding as it believed that GovGuam has not spent any funds for this program, and therefore, the level of effort requirement does not apply. GDOE is currently taking measures to confirm with stakeholders, as well as update its existing Standard Operating Procedures to reflect documentation requirements.
- Finding 2016-002, cites GDOE for not utilizing the small purchase method to procure career technical education services. GDOE disagreed because the procurement was treated as grant specific; the vendor was the only company able to provide the services required to implement the program; and the expenditures were primarily for tuition and registration fees, which are not typically competitively procured. Additionally, GDOE was cited for using intergovernmental agreements for certain services. GDOE believes this is an appropriate practice. The sole source procurement is a repeat finding, for which GDOE is awaiting official guidance from U.S. Department of Education (USDOE).