

UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF FINANCE AND OPERATIONS

OFFICE OF ACQUISITION, GRANTS, AND RISK MANGEMENT

November 9, 2023

Superintendent Erik Swanson Guam Department of Education 500 Mariner Avenue Barrigada, Guam 96913

Dear Superintendent Swanson:

This letter is a follow-up to the letter dated October 19, 2023, which communicated the U.S. Department of Education's (ED or Department) determination to remove the third-party fiduciary agent requirement (TPFA) included in your FY2023 Departmentwide specific conditions. This decision was based, in part, on the observations made during the Department's onsite visit conducted by the Grants Risk Management Services Division (GRMSD) on September 11-15, 2023. The primary focus of the visit was to document progress of the pending items within your Reconsideration Evaluation Plan (REP), as well as your organization's readiness to transition from TPFA oversight, which coincided with the conclusion of the 6-month probationary period for your approved Transition Plan.

The enclosed Onsite Reconsideration Evaluation Plan and Transition Plan Assessment Report (Onsite Assessment Report) summarizes the Department's onsite visit with both observations and recommended enhancements for GDOE to incorporate into its business operations as it resumes control of all operations in the post-TPFA environment. The Onsite Assessment Report also details specific issues, with respect to which GDOE was able to demonstrate improvements within the five REP areas. It is anticipated that GDOE will continue to work toward sustained progress, including the criteria needed to ultimately remove GDOE's high-risk designation. These criteria, as well as the remaining 17 REP items that GDOE must complete, will be more fully outlined as part of future Departmentwide specific conditions imposed on GDOE's grant awards.

The Department further anticipates that it will require some additional monitoring or possibly an independent audit with regard to the areas over which GDOE has assumed full responsibility. The details of these requirements will also be incorporated into future specific conditions issued by ED.

Department staff will continue to engage with you and your leadership team as you make continued progress in the post-TPFA environment. In addition to continuing the monthly status meetings, the Department will work with you to establish quarterly progress reporting as another method of communication to gauge your progress. As stated in my previous correspondence, these reports or

other submissions that GDOE is required to submit in response to the pending 17 REP items should be sent via email to Christine Jackson at Christine.jackson@ed.gov. Submission dates are as follows: July 1, 2024-September 30, 2024, submission by October 15, 2024; October 1, 2024-December 31, 2024, submission by January 15, 2025.

If you have any questions or would like to discuss the Onsite Assessment Report and/or the status of the REP, please contact Christine Jackson, Grants Risk Management Services Division, Office of Acquisition, Grants, and Risk Management, Office of Finance and Operations, at (202) 615-3663 or via e-mail at christine.jackson@ed.gov.

Sincerely,

Digitally signed by KERRY NEAL Date: 2023.11.09 15:41:37 -05'00'

Kerry K. Neal

Deputy Assistant Secretary
Office of Acquisition, Grants, and Risk Management

Enclosure

cc: Governor Lou Leon Guerrero Mary Okada, Chair, Guam Education Board Mary Gutierrez, Vice Chair, Guam Education Board Congressman James Moylan

Onsite Reconsideration Evaluation Plan (REP) and Transition Plan Assessment Report for the Guam Department of Education (GDOE)

Dates of Assessment Visit: September 11-15, 2023

<u>Purpose of REP Onsite Assessment</u>: The primary purpose of the REP onsite assessment visit was to evaluate GDOE's progress in addressing pending REP items and in demonstrating its readiness for removal of the third-party fiduciary agent (TPFA) requirement and the return of all functions back to GDOE control as outlined in its Transition Plan, which was approved for a 6-month probationary period, which began on April 1, 2023.

REP Onsite Assessment: In advance of the scheduled visit, Department staff met with the Acting Deputy Assistant Superintendent for Finance and Administration, Acting Internal Auditor, and Brustein and Manasevit, GDOE's High-Risk Consultant (Bruman team) to view the agreed upon REP pending items and GDOE staff to be included in the September onsite assessment visit.

Name and Title of U.S. Department of Education Staff:

Christine Jackson, Senior Risk Consultant, Grants Risk Management Services Division, Office of Acquisition, Grants, and Risk Management, Office of Finance Operations

GDOE REP/Transition Plan Leadership

Dr. Erik Swanson, Superintendent Frank Cooper-Nurse, Acting Deputy Superintendent, FSAIS Leana Wilkes, Acting Chief Internal Auditor

GDOE Participants

Christine Rosario, Acting Federal Programs Administrator
Carmen Charfauros, Supply Management Administrator
Procurement Staff
Maribeth Benavente, Inventory Management Officer
Property Management & Warehouse Staff
Federal Programs State Officers
Business Office Staff
Internal Audit Office Staff
Select Federal Project Managers/Leads
Select School Level Personnel

Names and Titles of Key Contractor Participants

ALVAREZ & MARSAL (GDOE TPFA)

Bill Roberti Kate Roques

BRUMAN TEAM (GDOE High-Risk Consultant)

Tiffany W. Kesslar Steven Spillan **Entrance Meeting**—convened with GDOE leadership and staff to provide an overview of the intended outcome for the REP and Transition Plan onsite assessment process. In addition to the GDOE leadership and staff, participants included staff from the TPFA, Alvarez and Marsal, the high-risk consultant, Bruman team, select members of the Guam Education Board (GEB) and Guam Legislature.

Exit Meeting - focused on the next steps in the transition process, including proposed changes to GDOE's FY2024 Departmentwide specific conditions, reflective of the removal of the TPFA management and oversight requirement, effective October 31, 2023; and the incorporation of the pending REP items listed below into the FY2024 Departmentwide specific conditions. In addition to the GDOE leadership and staff, participants included staff from the TPFA, the high-risk consultant, select members of the GEB and Guam Legislature.

BACKGROUND

In 2003, the U.S. Department of Education (ED) designated Guam Department of Education (GDOE) as high-risk based on ED's determination that GDOE lacked fiscal and programmatic accountability in the administration of federal education programs as evidenced by their Single Auditors' declaration that GDOE's records for FFYs 1998-2000 were un-auditable. In 2007, ED required GDOE to develop a Comprehensive Corrective Action Plan (CCAP) to address the lack of progress concerning the identified noncompliance. In 2009, based on GDOE's lack of progress over two years under the CCAP, ED issued amended Departmentwide specific conditions to GDOE, dated November 25, 2009, which included the requirement to procure the services of a third-party fiduciary agent (TPFA) to perform the financial management duties required under federal regulations for all ED grant awards made to GDOE.

Since the implementation of the TPFA, GDOE has made significant process under its CCAP and requested reconsideration of their specific conditions and TPFA requirement, leading to the creation of a Reconsideration Evaluation Plan (REP). Under the REP, GDOE continued its administrative progress and created a financial management and procurement system that mimicked the TPFA system.

In March 2023, GDOE submitted a 6-month transition plan to define the roles and responsibilities of the TPFA that would be assumed by GDOE during a probationary period agreed to in November of 2022. These roles and responsibilities are relative to procurement, accounting, budget, property management, employee time tracking (ETT), Financial Management Information System (FMIS), and internal controls. The plan described how GDOE would operate during the probationary period, assuming all fiduciary responsibilities for management of ED grant funds, with the TPFA in an oversight and advisory role.

DEPARTMENT ASSESSMENT OF GDOE'S PROGRESS UNDER THE TRANSITION PLAN

The ultimate purpose of this visit was to assess GDOE's progress during its 6-month probationary period for the purpose of informing the Department's decision whether to remove the TPFA requirement that has been in place since 2010. GDOE was required to demonstrate that it had taken all necessary actions to render it capable of performing the financial management responsibilities being performed by the TPFA. As reflected in the Specific Conditions, the REP and the Transition Plan, as the prerequisite to removal of the TPFA, GDOE was required to demonstrate that it had taken all necessary actions to render it capable of performing the financial management responsibilities being performed by the TPFA. This report contains the

Department's observations and assessment based on those observations, as to GDOE's readiness to resume responsibilities in five areas under the Transition Plan – Employee Time Tracking (ETT), Financial Management Information System (FMIS), Internal Controls, Procurement, and Property Management. The report also includes the Department's recommendations for enhancements that GDOE should consider adopting to support and sustain its work. As further detailed below, the Department decided, based on the evidence and observations, that GDOE had, with regard to each of the five areas under the Transition Plan, met the standard required for removal of the TPFA.

As of July 1, 2023, Dr. Erik Swanson assumed the responsibilities of GDOE Superintendent, which was in the middle of GDOE's 6-month probationary period of demonstrating readiness to transition from TPFA oversight to the return of all operations impacting the administration of federal education funds to GDOE control. During this time, GDOE has been supported by the collaboration among its Internal Audit Office (IAO), TPFA and high-risk consultants who have continued to both manage the internal control environment and establish organizational improvements. This collaborative effort has also been instrumental in moving GDOE closer to completing the remaining items of its Reconsideration Evaluation Plan (REP). GDOE's ultimate success and sustainability of these improvements will also depend on the consistent support of the GEB, local legislature and Governor to ensure the organization receives all of the necessary resources to continue on an upward trajectory and sustain the improvements resulting from the completion of the REP.

The following sections detail the Department's observations and assessment concerning the nature and extent of GDOE's progress in each of the five Transition Plan areas during the six-month probationary period, including: 1) identified issues; 2) conclusions based on observed and documented progress; and 3) recommended enhancements. The conclusions noted below relied on the submission of REP documentation by GDOE prior to the GRMSD onsite visit in September in addition to observations made during the visit. ¹

Please note that each section contains recommended enhancements. The Department encourages GDOE to consider these recommended enhancements. They are not actions that the Department identified as prerequisites for removal of the TPFA requirement. GDOE successfully demonstrated that it operated its administrative systems without TPFA involvement and has only 17 remaining REP items to complete by early next year, which do not require TFPA oversight to complete.

REP Section 1: Employee Time Tracking (ETT) Issues GDOE Needed to Address

Historically, Guam had challenges implementing an effective time and effort process based on changes to staffing patterns, which resulted from high staff turnover and inconsistent employee information for staff retirements, transfers, etc.

¹ On October 19, 2023, the Department notified GDOE that the Department was removing from the FY 2023 GDOE specific conditions the requirement for a TPFA, effective October 31, 2023. That decision was based on the information in this report.

Issue 1a – Time Certification Error Rates

Previously, GDOE demonstrated failures in several areas related to time certification:

- GDOE lacked a strategy to decrease the number of errors associated with its employee time certification process.
- GDOE did not support bi-weekly certifications using a three-way match, referencing an accurate federally-funded GDOE staff list.

Based on the following evidence and observations, GDOE's time certification error rates have reduced, and GDOE has procedures in place to continue minimizing errors in the employee time certification process:

- ✓ The responsibility of preparing and submitting drawdown requests after validating payroll information was completed by GDOE staff with the TPFA only serving in a limited advisory role.
- ✓ Annual employee time tracking training for GDOE staff has been conducted on a regular basis, with the last training held in May 2023. The training schedule is issued in advance and accommodations are made for any staff unable to attend training, including recordings made available for their future reference.
- ✓ The effectiveness of the training materials used to familiarize GDOE staff with updated employee time certification SOPs were verified through interviews and focus group discussions.
- ✓ GDOE Central Office and school-level staff were able to demonstrate awareness and compliance with approved standard operating procedures (SOPs), and internal controls included in the REP based on training and technical assistance provided in the area of employee time tracking.
- ✓ GDOE Superintendent provided details to support necessary GDOE organizational changes in the post-TPFA environment, which includes increasing the capacity of GDOE staff to assume critical positions in the absence of the TPFA, within both the GDOE Internal Audit and Business offices.
- ✓ GDOE staff trained on the federal requirements were able to demonstrate how they create a three-way match for time and effort tracking, which has strengthened overall administrative capacity.
- ✓ GDOE staff worked with the TPFA to implement a strategy to identify discrepancies and make necessary revisions in the employee time certification process to facilitate the completion of a "three-way match" to significantly reduce the employee time certification error rate.

Issue 1b – Manual Employee Time and Effort Processes

Previously, GDOE demonstrated failures in several areas related to time and effort processes:

- GDOE used a manual employee time certification process, which contributed to increased risks.
- GDOE had not fully implemented its new automated ETT system beyond federally funded staff supported by the Consolidated Grant program.
- GDOE demonstrated a lack of effective and timely training to GDOE school-level Consolidated Grant program-funded staff, on the use of the new automated ETT system.

Based on the following evidence and observations, GDOE's manual employee time and effort processes have been addressed sufficiently:

- ✓ Time certification for federally-funded Consolidated Grant program staff is now completed on a project basis using the KRONOS automated time certification system. The expansion of this automated system will include training for GDOE Special Education program staff with full implementation before the end of the calendar year. The automated process has improved the overall payroll approval process as evidenced through focus groups conducted with both GDOE central office and school level staff. The transition from the former manual to the current automated KRONOS process for employee time tracking has been effective and well received by GDOE staff. Despite the lack of electricity and reliable internet connectivity across the island following Typhoon Mawar, school level staff made necessary adjustments to ensure their time certification documentation was submitted in a timely manner to the GDOE Central payroll office. The systemwide distribution of laptops and mobile MiFi devices also kept staff and students connected.
- ✓ The SOP #009-020 Time Certification procedures have been updated to incorporate the KRONOS automated employee time tracking processes.
- ✓ GDOE has fully implemented the automated ETT system beyond federally funded staff supported by the Consolidated Grant program to include Special Education staff, as required by the REP.

Issue 1c – GDOE Lack of Staff Compliance with Approved SOPs

Previously, GDOE demonstrated failure in several areas related to staff compliance with approved SOPs:

- GDOE demonstrated a lack of procedures to ensure that any overtime payments are only approved for eligible employees.
- GDOE demonstrated a lack of internal controls to prevent GDOE staff from circumventing any approved SOP based on both Guam and federal law, specifically those associated with GDOE staff eligibility to receive overtime payments.

Based on the following evidence and observations, GDOE staff is now in compliance with approved SOPs:

- ✓ The procedures for ensuring any overtime payments are only approved for eligible employees have been reinforced with consequences for instances of non-compliance. The GDOE Budget Office staff has been re-instituted as part of the overtime request review and approval process.
- ✓ Additionally, internal controls have been put in place to prevent GDOE staff from circumventing any approved SOP based on both Guam and federal law, specifically those associated with GDOE staff eligibility to receive overtime payments.

<u>Conclusion</u>: As described above, GDOE has demonstrated that it has taken the necessary actions in the area of Employee Time Tracking that render it capable of performing the necessary time and attendance verification and certification to ensure the accuracy of employee payroll processing that was performed by the TPFA, including safeguarding against ineligible and unallowable regular and/or overtime payments.

Recommended Enhancements to Employee Time Tracking

- Interviews with school-level staff confirmed their preference for face-to-face, in-person training on the use of the new automated ETT (KRONOS) system in comparison to virtual training offered via ZOOM, which did not provide ample time for staff to practice using the system. Training would be enhanced by providing more in-person training on the use of the KRONOS for GDOE staff.
- > Since the time certification process is after the fact, central office staff interviewed recommend using time sheets and moving away from reimbursements in the post-TPFA environment.
- ➤ GDOE leadership should continue to address the challenges associated with staffing patterns, filling critical staff positions, and succession planning.
- > GDOE should explore making a request to the KRONOS vendor to generate reports that can reduce burden on GDOE staff responsible for generating time certification data.
- ➤ Once the GDOE high-risk designation is removed, GDOE should explore reducing the frequency for submitting required time certifications from bi-weekly to quarterly, which will reduce burden on staff responsible for processing time certifications.

REP Section 2: Financial Management Improvement System (FMIS) Issues GDOE Needed to Address

Historically, GDOE had challenges maintaining staff with financial background and skillset within its Business Office, as well as with sufficiently responding to single audit findings.

Issue 2a – Appropriate Business Office Staffing & Lack of Enforcement of Staff Responsibilities

Previously, GDOE demonstrated failures in several areas related to its business office and staff responsibilities:

- GDOE was unable to confirm the initiation of succession planning for critical positions such as Comptroller and Chief Financial Officer (CFO) within its Business Office
- GDOE did not have an organization structure to ensure the segregation of duties within its Business Office.
- GDOE staff were unable to update SOPs in conjunction with periodic MUNIS upgrades.
- GDOE was unable to accurately and timely prepare its annual indirect cost rate proposal without TPFA assistance.

Based on the following evidence and observations, GDOE now has systems to maintain appropriate staffing in its Business Office and enforce staff responsibilities:

- ✓ GDOE has transferred experienced staff from its Internal Audit Office to reinforce the skillset needed in its Business Office. These staff have both the audit and business expertise to ensure MUNIS system upgrades are incorporated into revised SOPs, as necessary.
- ✓ GDOE staff are using the most recent version of the MUNIS financial management system to perform processes in the REP areas of Employee Time Tracking, Procurement, and Property Management. Despite the absence of a CFO, the qualifications of current and newly hired

- staff in the GDOE Business Office staff continues to be deemed sufficient as the system processes mirror those used by the TPFA.
- ✓ Superintendent Swanson has committed to prioritizing increased salaries for both Business Office and Internal Audit staff within his annual budget, which has been approved by the GEB to ensure highly qualified staff are recruited and retained in the absence of TPFA, specifically a Comptroller, CFO and Deputy of Finance and Administration. This will contribute to improved employee retention and recruitment of qualified staff within the Business Office.
- ✓ The process of developing the annual indirect cost rate proposal was confirmed by the Department's Indirect Cost Group as consistent with previously approved proposals GDOE submitted for review. This includes using the correct methodology and calculations necessary for timely preparation and submission of the FY2024 proposal.

Issue 2b – Inadequate Responsiveness to Single Audit Findings

Previously, GDOE demonstrated failures in several areas related to responding to single audit findings:

• GDOE staff were unable to respond to inquiries by GRMSD staff during the May 2022 onsite visit regarding the unaddressed FY 2021 single audit findings and as included in the Management Letter dated May 5, 2022 related to: (1) reconciling its accrual-basis general ledger to TPFA's cash-basis records; (2) performing timely reconciliations during the year-end closing process; (3) determining the disposition of stale-dated checks (four years or older) that totaled \$1,037,801, of which \$109,082 were identified as payroll related and funded by federal grants; and (4) hiring personnel to perform timely updates and reconciliation of general ledger accounts.

Based on the following evidence and observations, GDOE now has systems that will allow it to sufficiently respond to single audit findings:

✓ The new GDOE Comptroller shared the recent Business Office process improvements including documentation of processes to support: (1) reconciling old balances; (2) addressing single audit findings related to stale dated checks; (3) enhancing month-end closing; (4) generating a clean listing of the chart of accounts; (5) improving GDOE's cash position; and (6) initiating a detailed succession plan for the GDOE business office.

<u>Conclusion</u>: As described above, GDOE has demonstrated that it has taken the necessary actions in this area to render it capable of performing the financial management responsibilities within its Business Office that were performed by the TPFA.

Recommended Enhancements to FMIS Processes

- ➤ Hiring a Deputy of Finance and Administration, Comptroller and CFO will significantly enhance the GDOE Business Office operations.
- > Ongoing testing and validation of SOPs by the IAO that includes detailed consequences for GDOE staff noncompliance should be incorporated into any issued internal audit reports.

REP Section 3: Internal Controls Issues GDOE Needed to Address

Historically, GDOE had challenges with documenting the evaluation and testing of approved critical SOPs by the GDOE IAO and had demonstrated an inability to maintain sufficient staff in its IAO necessary to complete the testing and validation of approved SOPs.

Issue 3a – Insufficient Responsiveness to IAO Audit Reports and Investigative Reviews

Previously, GDOE demonstrated failures in several areas related to its IAO's ability to respond to audit reports and investigative reviews:

- GDOE staff was insufficiently responsive to the specific IAO audit report findings associated with SOP testing.
- The IAO did not have authority to enforce identified instances of GDOE staff noncompliance with approved SOPs.
- The former GDOE Superintendent did not take action in response to the IAO Investigative Reviews and recommended corrective action, which resulted in GDOE staff circumventing, bypassing and/or ignoring approved SOPs, and ineligible GDOE staff receiving overtime payments using local funds.

Based on the following evidence and observations, GDOE now has systems that will allow it to sufficiently respond to IAO audit reports and investigative reviews:

- ✓ The IAO has performed SOP testing and validation to address the conditions that initially led to the GDOE high-risk designation. The role of the IAO staff is critical to providing the necessary oversight for the organization, including enforcement of internal controls and response to corrective actions required for any identified process weaknesses in a post-TPFA environment. The new organizational structure for the GDOE IAO includes improved transparency and accountability through the distribution of internal audit reports to both the Superintendent and the GEB. The IAO anticipates assuming the primary responsibility for GDOE internal control oversight and serving as an independent reviewer of all GDOE internal processes in the absence of TPFA oversight.
- ✓ The GEB has approved the development of an Oversight Subcommittee for audits in collaboration with the Guam IAO staff.

Issue 3b – Overall IAO Ineffectiveness

Previously, GDOE demonstrated failures in several areas related to the effectiveness of its IAO:

- There was an absence of an independent organizational reporting structure, which had a negative impact on IAO transparency and accountability.
- There was an absence of a finalized Federal Programs Manual that would serve as documentation for requiring staff compliance with approved SOPs.

• GDOE program staff lacked awareness and participation in the GDOE Management Internal Controls (MIC) survey process, which is a mechanism for conducting risk self-assessments.

Based on the following evidence and observations, GDOE has strengthened processes and procedures related to its IAO that will ensure IAO effectiveness:

- ✓ The GEB has updated the organizational reporting structure for the IAO, which will empower the IAO staff to continue to conduct and follow-up on its audit reports and submit its reports to both the GDOE Superintendent and the GEB.
- ✓ With input from the IAO, the high-risk consultant assisted Federal Programs staff to finalize the Federal Programs Manual focused on identifying requirements for GDOE program staff compliance with approved SOPs.
- ✓ There is commitment from the Guam Public Auditor to have his office work closely with the GDOE Internal Audit Office, and to also conduct performance audits for GDOE twice a year.
- ✓ IAO staff confirmed the next MIC data collection is scheduled to be conducted next year with the results communicated to GDOE leadership and included in its 2024 Internal Audit Work Plan.
- ✓ The IAO confirmed that its online Hotline has received whistleblower complaints that are currently being reviewed and processed.
- ✓ The GDOE IAO is conducting regular risk assessments and monitoring of the Federal Program office and special education programs. All findings of noncompliance and corrective actions are reported to the GEB as well as the GDOE Superintendent.
- ✓ Superintendent Swanson has committed to prioritizing increased salaries for both Business Office and Internal Audit staff in his FY2024 budget request, which has been approved by the GEB to ensure highly qualified staff are recruited and retained.

<u>Conclusion</u>: GDOE has demonstrated that it has taken the necessary actions in the area of Internal Controls to render it capable of performing the necessary internal controls and oversight responsibilities that were reinforced through TPFA oversight.

Recommended Enhancement to Internal Controls Processes

As the IAO continues the process of testing SOPs, detailed performance consequences for GDOE staff noncompliance should be built into all internal audit reports and investigative reviews issued.

REP Issue 4: Procurement Issues that GDOE Needed to Address

Historically, GDOE had challenges ensuring proper and sufficient staffing of its Procurement Office, enforcement of Procurement Office staff responsibilities, and overall effectiveness of its procurement processes.

Issue 4a – Insufficient Procurement Office Staffing & Lack of Enforcement of Staff Responsibilities

Previously, GDOE experienced failures in several areas related to its Procurement Office's staffing:

• GDOE experienced understaffing, including the absence of senior level staff, within the GDOE Procurement Office, adversely impacting the timely processing of purchase orders (POs).

- There was a lack of formal training for junior staff, which increased the risk for processing errors.
- GDOE program staff inconsistently adhered to established annual procurement timelines, creating the need for last-minute spending and late requisition requests at the end of the fiscal year.
- End of the year grant fund re-budgeting resulted in the untimely expenditure of federal grant funds before the grant obligation period expired, and the need to submit late liquidation requests to Department program staff for the procurement of a high volume of technology assets.
- There was an absence of consequences for non-compliance when GDOE staff attempted to "override" established SOPs.

Based on the following evidence and observations, GDOE now has systems to maintain appropriate staffing in its Procurement Office and enforce staff responsibilities:

- ✓ GDOE Central Office and school-level staff were able to demonstrate awareness and compliance with approved SOPs and internal controls included in the REP based on training and technical assistance provided in the area of procurement.
- ✓ The progressive improvement of procurement operations was evident during both the focus group discussions with both the central office and school level staff. Overall, the improvements have successfully decreased time between the receipt of procurement requests and receipt of assets and services. There are approximately 8 to 10 approvers in the MUNIS system for federal procurements, with reliable tracking to identify any bottlenecks and delay within the MUNIS procurement module.
- ✓ Since January 2023, all procurement transactions, including vendor payments, are processed through the GDOE MUNIS, and GDOE no longer relies on the TPFA to manage procurements through their own system. GDOE held multiple trainings for end users in GDOE and communicated with current vendors regarding this transition.

Issue 4b – Overall Procurement Ineffectiveness

Previously, GDOE demonstrated failures in several areas related to the overall effectiveness of its procurement processes:

- GDOE experienced delays and bottlenecks within the procurement process, which were the result
 of an inconsistent ad-hoc Compliance Review process that the GDOE Federal Programs Office
 implemented outside of the approved procurement SOP workflow. This resulted in TPFA vendor
 payments processing delays, identified as findings in both the GDOE 2020 and 2021 single audit
 reports.
- The Guam procurement system did not interface well with the TPFA system and caused duplication of work by the GDOE procurement staff and subsequent delays processing requisitions and purchase orders.
- The open purchase order transition from the TPFA MUNIS to the GDOE MUNIS resulted in the delivery of duplicate purchases to the GDOE warehouse.
- Issues with the procurement process led to uncertainty in whether federally-funded procurements could support GDOE program staff receiving training and licenses to operate large vehicles and fork lifts in the GDOE warehouse. This adversely impacted warehouse worker safety.

Based on the following evidence and observations, GDOE has strengthened processes and procedures related to its Procurement Office that will ensure that the office is effective:

- ✓ The Supply Management Administrator oversees a system for processing procurements based on an established procurement schedule.
- ✓ Procurement staff now consists of three junior staff at the Buyer I level and three senior staff at the Buyer 2 level, including a Buyer Supervisor. The recent hire of additional staff has increased the efficiency for processing an increased volume of requisitions for over 70,000 federally-funded assets resulting from additional ESSER I, ESSER II and ARP funding.
- ✓ GDOE staff provide technical assistance to GDOE school level staff as requested in addition to annual training, which is also recorded and made available through the GDOE intranet for GDOE staff access to reinforce approved SOPs.
- ✓ Annual training on requisition entry is provided for GDOE staff as well as requested refresher training for GDOE school staff.
- ✓ Bulk procurement orders are consolidated as they are requested by school staff, which reduces the volume of requisitions the GDOE central office has to process.
- ✓ The monthly Transition Plan Status Update documents submitted to the Department during the six-month probationary period (May-September 2023) provided data supporting a reduction in turnaround time for processing vendor payments.

<u>Conclusion</u>: GDOE has demonstrated that it has taken the necessary actions in the area of Procurement to render it capable of performing the necessary procurement responsibilities that were performed by the TPFA.

Recommended Enhancements to Procurement Processes

- ➤ GDOE should consider dedicating GDOE Procurement Office staff with specialized knowledge to handle special education-specific procurement requests. This would also facilitate more proactive communication between the GDOE program and procurement offices.
- ➤ GDOE should consider developing SOPs for addressing any duplicate orders received by the warehouse, including the process for returning assets back to vendors. (NOTE: This applies to enhancements for both procurement and property management based on the root cause of the duplication of procured assets resulting from the migration process of open POs from the TPFA MUNIS to the GDOE MUNIS and a delay in communicating the new process to current GDOE vendors. Follow-up communication to GDOE vendors should be provided, which confirms the change in processes from the TPFA MUNIS to the GDOE MUNIS.
- ➤ GDOE warehouse staff should have the necessary resources to support the effective and safe operation of equipment, such as forklifts, as well as appropriate licenses to operate GDOE vehicles to deliver assets to the school sites.
- ➤ GDOE should verify that any duplicate POs, such as those processed during the transfer of TPFA open POs to the GDOE MUNIS system, are addressed with written procedures for returning such purchases to the respective vendor(s). (NOTE: This also applies to enhancements for both the business office and property management.)
- ➤ GDOE should review the procurement workflow to determine areas that can expedite the receipt of procured assets by schools in a timely manner.

➤ GDOE should consider developing an FAQ document and/or on-line web page consisting of any procurement-related questions posed by school level staff either during formal training or via verbal or written communication with individual GDOE central office staff, which can be made readily accessible for staff to reference.

REP Issue 5: Property Management Issues that GDOE Needed to Address

Historically, GDOE had challenges with the occupancy and functionality of the GDOE central warehouse, as well as a lack of updated SOPs to govern the daily activities of the Property Management staff.

Issue 5a – Insufficient Occupancy and Functionality of Central Warehouse

Previously, GDOE demonstrated failures in several areas related to the occupancy and functionality of its central warehouse:

- During the May 2022 onsite validation visit, it was noted that high-cost assets were not stored in a climate-controlled warehouse. The installation of air conditioning units and a ventilation system was deemed critical to ensuring that federally-funded technology equipment was not susceptible to damage.
- GDOE warehouse staff were not given priority for the use of GDOE vans/trucks to deliver assets to the schools.

Based on the following evidence and observations, GDOE has strengthened processes and procedures related to its central warehouse that will ensure it can appropriately store and deliver federally-funded equipment:

- ✓ In comparison to the May 2022 onsite observations, the tour of the GDOE warehouse during this onsite visit revealed significant improvements, including more efficient storage of books and other supplies. There was also evidence of a climate-controlled environment for the temporary storage of high-cost technology assets prior to delivery to the respective school sites.
- ✓ There was evidence that the warehouse does not house excessive assets and procured items are delivered on a timely basis to the respective school sites.
- ✓ The centralized process for tagging and tracking federally-funded assets and the labeling system used were clearly described and consistent with the overall procurement and property management workflows.
- ✓ The number of property management and warehouse staff has increased from four to a total of seven staff, including six Property Control Officers and the Inventory Management Officer to enhance the efficiency of the tagging and delivering of federally-funded assets to individual school sites.

Issue 5b – Lack of SOP Development and Compliance Related to Property Management and Property Management Staff

Previously, GDOE demonstrated failures in several areas related to its property management SOPs and processes related to property management staff:

- There was an absence of a records management SOP for the proper storage and disposal of files located in the warehouse, particularly files containing personally identifiable information (PII).
- There was an absence of a written process for handling any duplicate procured and received assets. (Note: This is similar to procurement area cited above).
- There was an absence of an approved plan for the use of fixed assets.

Based on the following evidence and observations, GDOE has strengthened its SOPs related to property management and property management staff.

- ✓ GDOE has posted all updated Property Management SOPs as well as any revisions on the GDOE website for easy access by end users.
- ✓ The FY2022 physical inventory was conducted with limited TPFA oversight. The final inventory report is anticipated to be released to the Department in November 2023 with notable improvements, such as a significant reduction in the number of lost and stolen federally-funded assets cited in the draft inventory report. The previous annual asset inventory reports for FY 2020 and 2021 documented a downward trend in lost and stolen federally-funded assets.
- ✓ GDOE Central Office and school-level staff were able to demonstrate awareness and compliance with approved SOPs, and internal controls, based on training and technical assistance provided in the area of property management.
- ✓ GDOE maintains all records on inventory and fixed assets in MUNIS and no longer requires the TPFA to duplicate records in the TPFA MUNIS system.

<u>Conclusion</u>: GDOE has demonstrated that it has taken the necessary actions in the area of Property Management to render it capable of performing the necessary fixed assets oversight responsibilities that were performed by the TPFA, including independently completing the Fixed Asset Inventory process.

Recommended Enhancements to Property Management Processes and Procedures

- > See *Recommended Enhancement* above under Section 4, Procurement related to developing a written process for addressing any duplicate orders received by the warehouse, including the process for returning assets back to vendors
- ➤ GDOE should finalize the SOP for the use of GDOE vans/trucks by GDOE warehouse staff for the purpose of timely delivery of assets to the school sites.
- ➤ GDOE should explore supporting the acquisition of expanding licenses (Chauffeured License Drivers) for designated GDOE staff, including Special Education bus drivers and Facilities and Maintenance staff to legally operate large cargo vehicles.
- ➤ GDOE should finalize the process to procure scanners to enhance property management processes and eliminate the manual process and reduce overall risk associated with entering asset information into the MUNIS system. This will improve efficiency and reduce burden for the Property Management Officers.
- ➤ GDOE should finalize the procurement of asset scanners for use by Property Management Officers, which will enhance the conversion of information into the GDOE MUNIS and will reinforce accountability and facilitate transparency.
- ➤ GDOE should finalize the SOP for records management related to proper file storage and disposal, particularly for any files containing PII, such as old special education student files.

- ➤ GDOE should initiate succession planning for veteran staff in the Federal Programs Division and other critical positions across GDOE. This is especially true for several school level Property Liaisons who are training staff within their buildings and implementing property management best practices that should be replicated across the system.
- ➤ GDOE should consider offering property management training for all GDOE staff (Central Office and school level) every six months, and as needed for new staff onboarding, versus the current annual November timeframe.
- ➤ GDOE should review improvements to the laptop distribution and reclamation process, especially for those that were loaned from the Consolidated Grant program to promote virtual learning during the pandemic.

<u>FINAL CONCLUSION</u>: Based on observations made during the site visit, as well as demonstrated progress, GRMSD concludes that the removal of the third-party fiduciary agent requirement for GDOE is appropriate, on or before the current TPFA contract expires on October 31, 2023.

NEXT STEPS FOR GDOE:

- Notify the Department when the following GDOE positions have been filled with permanent staff: Comptroller, Deputy of Finance and Administration, and Federal Programs Administrator
- ❖ Provide the Department an updated GDOE organizational chart with identified GDOE staff positions that will replicate current TPFA roles and responsibilities.
- ❖ Provide the Department copies of both the updated Internal Audit Work Plan and FY2024 Management Internal Controls (MIC) results once completed.
- Submit supporting documentation for pending REP items for virtual validation by Department staff.
- ❖ Submit the final FY2022 physical inventory report to the TPFA as well as to the Department for review.
- ❖ Finalize the SOP for addressing property management staff use of both locally and federally funded vehicles.
- ❖ Work with the Bruman team to focus on the elimination of any paper-based processes that can be captured electronically in MUNIS, including the procurement of scanners for fixed assets for use by Property Management Officers.
- ❖ Work with the Bruman team to outline strategies to strengthen the role of the Internal Audit Office to oversee internal control processes and establish a collaboration with the Gov Guam Internal Audit Committee.
- ❖ Provide a copy of the FY2024 Internal Audit Office (IAO) work plan. This plan should include an IAO Audit and Compliance Report requiring a written management response to any identified findings from designated GDOE responsible staff, and appropriate consequences if ignored.

NEXT STEPS FOR THE DEPARTMENT:

- ❖ GRMSD will issue a formal TPFA removal letter to GDOE leadership prior to the October 31, 2023 TPFA contract expiration date.
- ❖ GRMSD will continue to work with the GDOE Internal Audit Office as pending REP items are completed.

- ❖ GRMSD will continue to communicate with the GDOE leadership and its high-risk consultants on a monthly basis to discuss any updates or challenges.
- ❖ GRMSD will work with GDOE leadership to develop a quarterly reporting format that includes benchmarks for completing both pending REP items and other items mentioned as part of the NEXT STEPS FOR GDOE listed above.
- ❖ GRMSD will incorporate any pending REP items into the GDOE's FY2024 departmentwide specific conditions issued by the Department as well as the criteria and timing for ultimately having its high-risk designation removed.