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FOR IMMEDIATE RELEASE

GDOE ACHIEVES 7TH CONSECUTIVE CLEAN AUDIT FOR BOTH FINANCIAL STATEMENTS AND FEDERAL GRANT COMPLIANCE

For the seventh year in a row, the Guam Department of Education (GDOE) received an unmodified (clean) audit opinion on its financial statements and compliance over major federal program requirements for Fiscal Year (FY) 2019. This also marks the fifth consecutive year that the agency audit has no material weaknesses identified. The audit was completed by Deloitte and Touche, LLP.

GDOE has been able to sustain its commitment to fiscal responsibility and improved audit performance, which reflects GDOE's consistency in sustaining operational improvements and strong internal controls as it works toward relief of its specific conditions and "high risk" designation imposed by the U.S. Department of Education (ED).

GDOE closed FY 2019 with an \$8 million (M) decrease in net position compared to the restated \$15.8M decrease in FY 2018 as shown in its department-wide financial statements. On its governmental fund financial statements, GDOE closed the year with a \$1.5M fund deficit, primarily due to the perennial cash shortfalls in its local appropriations. GDOE's appropriations through the general fund totaled \$249.1M in FY 2019 compared to \$251.9M in FY 2018, or \$2.7M less than the previous year. Had it not been for the decrease in appropriation coupled with a cash release shortage of \$2.6M by the Department of Administration, GDOE would have experienced an increase in revenue of \$5.3M.

The continuous reduction in overall appropriations and shortages from the Territorial Educational Facilities Fund significantly impacts cash flow, which results in slowed payments of outstanding invoices, increased prior year obligations and accounts payable, and interest and late fees. In July 2019, the Government of Guam projected an increase of \$38.3M in revenue collections. Though GDOE acknowledges actual results may be greatly affected by COVID-19, hope remains that the legislature and the Governor's office will ensure full release of appropriations yet to be realized by the GDOE before legislative action redirects the use of available balances.

While GDOE experienced budgetary reductions and shortages in cash releases, it exercised prudent financial management and controlled expenditures. Total governmental fund expenditures decreased by \$3.1M, from \$321.8M to \$318.7M in FY 2019; most notably salaries, wages, and benefits decreased by \$5.8M and contractual services decreased by \$3.2M. The decrease in personnel cost was primarily attributed to a decrease in hiring and staffing levels. GDOE reduced federal and local staffing by a total of 49 positions in the current year.

Although GDOE maintained its clean audit opinions, the independent auditors identified two significant deficiencies in internal controls over major federal programs. The first finding was related to the procurement of airfare services using a rotation list; an assessment of GDOE's overall air travel revealed that the selection of travel agencies were neither rotated fairly nor competitively. The second finding was related to compliance with contract terms for the U.S. Army Junior Reserve Officers' Training Corps Program in which GDOE furnished the Simon Sanchez High School unit with cafeteria space instead of the agreed exclusive classroom and GDOE did not provide proof of liability insurance for the instructor.

GDOE agreed with the findings and is in the process of taking action to address the deficiencies, which includes revising its travel policy and working with the Department of Defense officials for adequate space requirements in the design and build of the new Simon Sanchez High School.

"In the early 2000s, this agency was unauditible and, in the years following, change was hard to sustain, especially with the rapid succession of different superintendents during that period," said GDOE Superintendent Jon Fernandez. "Since 2012, we have been able to create that stability within the agency and to build the capacity to sustain the necessary changes and improvements that have resulted in seven consecutive clean audits and minimal material weaknesses and questioned costs. As the largest agency in GovGuam, this is a significant feat which we do not take for granted and which we can point to as we work to get off of high risk with the federal government. It is due to the continued hard work of our staff throughout the agency."

Over the past 18 months, GDOE has managed to have several of its seven specific conditions removed including (1) prompt access to information, (2) program-specific requirements, and (3) compliance with program requirements. ED is currently scheduled for a mid-July virtual review of GDOE's progress in addressing the remaining four specific conditions, including (1) the role of the third party fiduciary agent (TPFA), (2) the responsibilities of GDOE and the TPFA in addressing federal grants, (3) the Reconsideration Evaluation Plan, and (4) timely single audits. ED did acknowledge in writing that GDOE has met the fourth requirement for single audits but has yet to officially remove that condition.

"With a seventh consecutive clean audit in hand, I hope this is the year we see significant movement on behalf of USDOE in finally returning full responsibility over federal funds to our department," Guam Education Board (GEB) Chairwoman Maria Gutierrez said.

"We have worked very closely with federal officials at the US Department of Education, including Secretary of Education Betsy DeVos and Assistant Secretary Frank Brogan, to create a sense of urgency in addressing GDOE's request for reconsideration," GEB Budget and Finance Committee Chair Mark Mendiola said.

"While we work with our federal counterparts on this issue, we also thank our local leaders for their continued support and ask that they continue to provide us with the resources needed to meet our mission of teaching and learning," Chairwoman Gutierrez added.

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