

GUAM DEPARTMENT OF EDUCATION FINANCIAL SUPERVISORY COMMISSION (EFSC)

Building A Conference Room, GDOE Central Office Tiyan

January 24, 2019

MEETING MINUTES

AGENDA	DISCUSSION/TOPIC	ACTION/STATUS																				
In Attendance	<table><tr><td>Bill Taitingfong, BBMR</td><td>Helen Legaspi, GDOE</td></tr><tr><td>Stephen Guerrero, OFB</td><td>Justin Castro, GDOE</td></tr><tr><td>Vanessa Valencia, OFB</td><td>Jon Fernandez, GDOE Superintendent</td></tr><tr><td>Vince Duenas, OPA</td><td>Honorable Amanda Shelton, Guam Legislature</td></tr><tr><td>Mary Grace Edrosa, DOA</td><td>Michelle Dulana, Vice Speaker Office, Guam Legislature</td></tr><tr><td>Edith Pangelinan, DOA</td><td>Ariana Villaverde, CFA – Governor’s Office, Former OFB Transition Staffer</td></tr><tr><td>Taling Taitano, GDOE</td><td>Mark Mendiola, GEB Chairman</td></tr><tr><td>Lou Perez, GDOE</td><td></td></tr><tr><td>Becky Lujan, GDOE</td><td></td></tr><tr><td>Joy Bulatao, GDOE</td><td></td></tr></table>	Bill Taitingfong, BBMR	Helen Legaspi, GDOE	Stephen Guerrero, OFB	Justin Castro, GDOE	Vanessa Valencia, OFB	Jon Fernandez, GDOE Superintendent	Vince Duenas, OPA	Honorable Amanda Shelton, Guam Legislature	Mary Grace Edrosa, DOA	Michelle Dulana, Vice Speaker Office, Guam Legislature	Edith Pangelinan, DOA	Ariana Villaverde, CFA – Governor’s Office, Former OFB Transition Staffer	Taling Taitano, GDOE	Mark Mendiola, GEB Chairman	Lou Perez, GDOE		Becky Lujan, GDOE		Joy Bulatao, GDOE		
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I. Call to Order																						
II Review and Approval Minutes a. December 27, 2018 Meeting	<p>OFB formally called the meeting to order at 3:12 pm at the Building A, 1<sup>st</sup> Floor GDOE Conference Room, Tiyan after a brief introduction by Executive Director of the Office of Finance and Budget (OFB). OFB asked in attendance to state so for the record.</p> <p>Item II of the agenda, approval of the December 27, 2018 minutes. OPA stated a correction/change of the representative in attendance from Edlyn Dalisay to Vince Duenas. OPA moved to approve the December 27, 2018 minutes, subject to corrections. Motion was seconded by BBMR and with no objections, the motion passed.</p>																					
III. Old Business a GDOE Cash Report FY2019	<p>GDOE distributed FY19 Cash Update. As of January 24, 2019 GDOE total FY19 cash received GF Operations \$61,889,622 cash received, \$0 variance with DOA and Allotment vs Cash variance \$3,461,631; GF Chamorro Studies \$7,866.80 cash received,</p>																					

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b. Reconciliation of Cash Disbursements	<p>\$0 DOA variance, \$124,495.20 allotment vs cash variance; GF SSHS Procurement \$0 Cash and DOA Variance, \$250,000 Allotment vs Cash Variance; Textbook \$0 Cash received and variance with DOA, \$750K Allotment vs cash variance; TEFF \$1,074,698.57 cash received, \$0 DOA variance, \$4,864,104.43 allotment vs cash variance; TEFF 1<sup>st</sup> Gen Trust \$0 cash received, DOA and allotment vs cash variance.</p> <p>Total cash received for PLRF \$244,556 cash received, \$81,520 DOA and allotment vs cash variance; HFF-Sports \$105,564 cash received, \$146,740 DOA and allotment vs cash variance; HPA \$22,187 cash receive, \$58,847 DOA and allotment vs cash variance; and Limited Gaming \$131,228 cash received, \$0 DOA variance, \$131,228 allotment vs cash variances. Simon Sanchez FY18 GF Continuing OEA &amp; A &amp; E \$0 allotment release, \$0 cash received, \$0 DOA variance, \$1,500,000 allotment vs cash variance.</p> <p>Overall grand total (excluding FY18 GF Continuing and JFKHS FY19 \$1,568,000 Maint. &amp; Insurance) \$63,475,722.37 GDOE cash received, \$287,107 DOA variance, \$9,581,458.63 allotment vs cash variance.</p> <p>DOA distributed the Disbursement Report and noted there are variances in the PLRF and the Interscholastic Sports Health &amp; Physical Activities and explained there were payments released that GDOE has probably not picked up from DOA. GDOE responded these are checks (payments) GDOE had been waiting for these disbursements which apparently may have been lost – either mailed – and per DOA, GDOE has to wait for that 15-day period to elapse before that payment (check) can be replaced.</p> <p>OFB asked why is GDOE spending more than they are receiving in cash and what is GDOE's lag time with their vendors and vendor payments. GDOE responded the expenditures on the report is amount of cash received, they are not expenditures. OFB asked has GDOE notified DOA in writing or only at the EFSC meetings. GDOE and DOA acknowledged and confirmed that they communicate regularly, daily, via email, phone, and in person. GDOE stated part of the reason, both reports are on the agenda is</p>
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because in the past, DOA and GDOE had not reconciled cash disbursements and receipts on a timely and regular manner; the monthly EFSC meetings has worked to improve and ensure both departments are tracking the same and resolving each transaction discrepancy in real time.

Superintendent clarified in the past several fiscal years, the annual Budget Acts has made GDOE not subject to BBMR Allotment controls and any reserves policies; BBMR has been releasing allotments according to the GDOE Allotment schedules and the task has now been simply a matter of tracking the cash releases. BBMR affirmed over the past 3 fiscal years, and consequently, because of the exemption, the report is now a report from the AS400 system: a summary of the allotment status report directly from the AS400 system. Previously, there was a 15% reserve, then it was a 3% reserve now there isn't any reserve. The control now is the cash releases from DOA. Superintendent stated at the beginning of each month, BBMR releases the entire allotment and then we see a lag in terms when those cash allotments are released.

OFB asked if the YTD expenditures are in real time. DOA and GDOE affirmed. Each month GDOE does a data dump (from GDOE MUNIS) on what is actually spent and that is provided to OFB. CFA stated and that has been provided to OFB and that is what is inputted into the monthly Financial Status Designation reports.

Superintendent stated DOA has been consistent in the first part of the year in providing \$3.6 million in cash every week. In the past, DOA has released cash from TEFF appropriations, however, that has changed over the past several years and cash releases from TEFF have pretty much been tied to real property tax collections (two installations February and April) in the TEFF.

OFB asked if there is any particular fund (in appropriations) that is lagging behind. DOA said that what has been timely is what we had agreed DOA would be giving GDOE each week. GDOE is asking for more than \$3.6 million each week and that is what is not timely. DOA has only committed to \$3.6 million a week and they have kept that

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c. BBMR Appropriation/Allotment Status	<p>commitment. Superintendent said that if instead of prorating our appropriations from TEFF, they have to wait until the collections come in in February and April and that's when they start receiving cash from TEFF appropriations.</p> <p>OFB stated one of their concerns is the current discussions on tapping special funds. OFB stated that everyone needs to be concerned that these funds are properly allotted and disbursed to those agencies with appropriations. If everyone is releasing more in General Fund because the TEFF is behind and people don't get it by the end of the fiscal year, they will have the same problem of how do people reimburse the General Fund or the TEFF or any other fund that they have tapped, supplemented, or augmented. OFB stated that they understand where DOA is coming from and that GDOE needs to continue no matter what; OFB just wants to make sure that the lag time is not too far behind. GDOE's appropriation in TEFF is large and you have expenditures that are huge in a very short period of time. Other departments can maybe absorb that but when it comes to GDOE there's no way that kind of cost can be absorbed to incur and to pile up. Superintendent stated GDOE is also waiting for the property tax fix (Bill 4-35, an act to amend and clarify the additional tax levy on real property improvements, which was part of the FY2019 Budget Act) because without it they'd be operating under a different (financial footing); for GDOE that's a \$4.7 million shortfall.</p> <p>Item III (c). BBMR Appropriation/Allotment Status Reports item III. BBMR distributed BBMR Appropriation/Allotment Status Report FY2019 as of January 24, 2019: GF Operations appropriation \$188,360,473, total released \$65,351,253, YTD expended \$61,889,622, available \$3,461,631, unallotted balance \$123,009,490; Charter School appropriation balance \$8,295,438, appropriation \$2,115,042 (\$700,885 Guahan, \$914,157 Ilearn, \$500,000 Science is Fun), allotment release \$2,115,042, year to date expended \$2,115,042, available -\$497,978 awaiting de-appropriation. The appropriation to the charter schools actually totals \$10,410,480. Once the invoices are given to DOA and validated by GDOE, DOA informs BBMR to do the de-appropriation from the</p>	
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GDOE account to the Charter school accounts.

GEB stated GDOE still has to validate charter school invoices. This has and continues to be a bone of contention for GDOE. GEB stated if we have to absorb the \$4.7 million potential shortfall in TEFF, then charter schools should also have a share in that burden. At the board level, all they see are the transmittals – here are the invoices, pay these invoices for charter schools and they feel they don't have to come through us – and they have been discussing this issue amongst the board members. There was a request for an AG opinion and the response was that GDOE is to look only at the receipt to validate they are legitimate receipts and then transmit to DOA for payment.

Superintendent stated GDOE disagrees (with the AG) and is still doing the validation. GDOE also discussed these issues with DOA and will continue to validate in the same manner based on GDOE's review of what is their responsibility as DOA ultimately, decides if they're going to release charter school payments. Superintendent stated that what the Attorney General office gave GDOE was information and guidance, it wasn't signed by the AG, saying that they verify for accuracy but they don't need to look into any underlying issues such as procurement or proper authorities for the funds. GDOE disagrees and that's why GDOE has asked that GDOE's role and charter school appropriations be severed completely from GDOE. Superintendent stated GEB Chairman and he were simply highlighting what has happened and what may have to be remedied at some point, at the legislative level through legislation. The validation task is not actually in the law (enabling legislation for charter schools), it's in the annual Appropriations Act. If that's what they want, then GDOE needs ways to improve the process. Superintendent noted, GDOE and the charter schools have previously agreed and expressed support for the severance and separation.

DOA stated whatever fund is affected by a potential shortfall, then every agency with appropriations from that fund is also affected. In this case it is TEFF that is affected but because the appropriation for charter schools is coming from the GF the charter schools' appropriations are not affected at all. At this point, Superintendent excused himself from

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	<p>the meeting.</p> <p>GF SSHS Procurement appropriation \$1M, YTD allotment release \$250K, YTD expenditure \$250K available, \$750K unallotted; Chamorro Studies appropriation \$401,207, YTD allotment release \$132,362, YTD expenditures \$7,866.80, available \$124,495.20, unallotted balance \$268,845; Textbooks appropriation \$1.5M, YTD allotment release \$750K, \$0 expenditures, \$750K available, and \$750K unallotted balance. Total GF appropriation is \$201,672,430; YTD allotment release \$68,598,657; YTD expenditures \$64,510,509.38; available \$4,088,147.43, unallotted balance is \$133,073,773.</p> <p>TEFF Operations appropriation \$13,697,608, YTD allotment \$5,938,803, YTD expenditures \$1,074,698.57, available \$4,864,104.43, unallotted balance \$7,758,805; TEFF – 1<sup>st</sup> Generation Fund appropriation \$100K, \$0 YTD release, expended, available and \$100K unallotted balance. PLRF appropriation \$978,236, YTD allotment \$244,556 released and expended, \$0 available and \$733,680 unallotted balance; HFF- Interscholastic Sports appropriation \$612K, YTD allotment release \$252,304 and expended, \$0 available with \$359,696 unallotted balance; HFF- Health &amp; Physical Activities appropriation \$279,754, YTD allotment \$81,034 and expended with \$198,720 unallotted balance. Limited Gaming appropriation \$524,913, YTD allotment \$131,228, \$0 YTD expenditures, available \$131,228 with \$393,685 unallotted balance. Grand Total appropriation \$217,864,941, YTD allotment release \$75,246,582, YTD expenditures \$66,163,101.95, available \$9,083,480.05, unallotted balance \$142,618,359.</p> <p>DOA asked to recheck the expenditure for Limited Gaming. GDOE stated the allotment release in GDOE's report is also different and they will also recheck that amount: the \$131,228 in allotment release may actually belong in the YTD expenditures' column and the allotment release should be \$262,456. BBMR affirmed GDOE's numbers are correct. GDOE asked to recheck also the PLRF numbers in the BBMR report: GDOE is</p>	
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showing \$326,076 as the YTD allotment release. BBMR agreed, the GDOE numbers are correct and he would amend the BBMR report to reflect those corrections and the unallotted balance for PLRF would change to \$652,160; and for Limited Gaming the YTD allotment release should be \$262,456, YTD expenditures \$131,228; and the unallotted balance would be \$262,457.

GDOE stated BBMR'S YTD expenditures for SIFA Charter is \$500K but DOA's cash disbursement is \$400K. DOA responded they do have an invoice for SIFA for \$400K but the check has not been disbursed. BBMR stated that expenditure is probably in transit. OFB stated the bottom line appropriation in GDOE's report is \$217,317.899 but BBMR's report shows \$217,864,941 – what is the \$500K variance, the two figures don't match and they should. BBMR stated GDOE's report is reflecting the JFKHS debt service payment (\$1,568,000) and only a portion of the Charter School appropriation (\$8,295,438 instead of \$10,410,480). GDOE stated they would update the report, however, they don't have permissions to view the charter school expenditures.

OFB asked the allotment for textbooks and why is it being allotted monthly quarterly, etc. rather than all at one time. GDOE stated generally, it is supposed to be released (allotment and cash) in March. OFB asked why GDOE is asking for money when they are not going to spend it because it should be asked when it is going to be spent. GDOE would like to spend it. Both the allotment and the cash disbursement reflects what they're ready to spend. The larger issue is availability of cash – even if BBMR releases it, they have had to be very careful about cash because they end up owing vendors and not being able to pay them. They've been trying to look at what kind of cash they can expect and try to look at rather stay within that footprint. In the past, they found themselves where they've expended more than the cash they've received and then that results in payables to their vendors that they're not able to pay until the next fiscal year which creates a cycle of carryovers.

GDOE stated that they're reluctant to buy the textbooks if they're not positive they're

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d. Accounts Payable Aging	<p>going to get the cash to pay for them. GDOE stated that they're only getting ops money; that only takes care of payroll, our custodial, trash (other critical contracts), they have to squeeze our utilities out of that cash. They don't have enough money (cash) to buy textbooks. They need some assurance that they're actually going to get that cash – their textbook vendors they won't take orders without pre-payments.</p> <p>OFB stated GDOE should request the whole \$1.5 million appropriation in November. Let the cash issue be with them (DOA). If GDOE splits it \$750K in December and \$750K in March, then GDOE is handcuffing itself.</p> <p>OFB asked if an amended report could be reissued to members and BBMR affirmed.</p> <p>OFB moving onto Item 3d the Accounts Payables Aging reports: as of January 24, 2019 total AP Aging Balance of \$7,233,222.87 (\$6,586,762.40 Local, \$645,852.54 Federal); the variance is from the NAF Student Account, Vendor 99998): current outstanding \$78,574.68; 30 to 60 days \$1,722,368.41; 60 to 90 days \$2,385,092.95; and 90 days and over \$3,047,186.83. Batched invoices \$2,333,944.83, Unposted Payroll \$3,950,007.13, unbatched \$192,738.33 brings overall total AP Aging to \$13,709,913.16.</p> <p>GDOE stated also included in the report is a breakdown of payables by fund. Typically, GDOE's largest outstanding vendor is Sodexo, GDOE's school lunch vendor - \$1.8 to \$2 million per month and about 70% of that is federally reimbursed so most of the outstanding owed are the local share, the next largest vendor would be GPA. OFB asked does GDOE have a plan on how to address this without affecting the department's operations. GDOE stated that last week they were only getting \$3.6 million per week of their payments to their payroll vendors was somewhat delayed because they had to pay power. GDOE stated that what used to happen was in addition to our weekly cash they used to get a special payment just for utilities. But because the change in policy, there is no special payments for power – it just means some of our vendors will get paid later.</p>	
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e. Transition of FSD  
Preparation

OFB asked under the school lunch program will GDOE be able to catch up with the next couple of allotments being released. GDOE stated when they start getting their TEFF money we will be able to catch up on the older aging payables. They should be okay through March – if the (federal) shutdown goes beyond then there might be an issue. Another issue they discussed, is if they have the local money and they continue to pay they will actually get our reimbursements; it'll depend on the Congress and how they re-authorize. BBMR asked about the potential shortfall in the TEFF – how will that affect GDOE payables for utilities. GDOE responded that will affect them a lot - \$4.7 million is a lot of money for them – they've reached out to the Governor and the Legislature – they're hoping the legislation (Bill 4-35) might be able to address the shortfall. Otherwise, GDOE will have to take drastic measures. OFB stated the Legislature's concern would be where the money would come from (to cover the shortfall).

OFB moving on to Item III.e. Transition of FSD Preparation. Former OFB Transition Staffer stated she met with current OFB to show the procedures to generate the monthly Financial Status Designation report – there's still a learning curve to overcome. Former OFB Transition Staffer asked if any of the EFSC members would like to take charge of the preparing the report. There's also the administrative part, sending email notices, recording of the meetings, public notices of the meetings, posting of the reports on the website – how will any of that be handled. BBMR stated for executive agencies – emails and public meeting notices are slightly different – with the Legislature it's much easier and they have the best ability to do those tasks.

General discussion of how the operations and tasks of the EFSC were previously handled; members agreed it was pretty much always with the OFB office; BBMR initially did the minutes, however, that task has been with GDOE for some time now. GDOE stated OFB had previously been concerned about there needs to be a second entity with the financials to ensure integrity of the report.

OFB having now been told everything. OFB is vice-chair of the Committee and BBMR

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<b>IV. Financial Status Designation for the Month Ended</b> <b>a. FY2019</b> November 2018	<p>is the chair. OFB will do its best to continue until someone else raises their hands and take it on. As far as checks and balances on the reports - It doesn't matter who produces the report, it's the body that will review and approve it. Whatever assistance from other members, OFB is appreciative and will do their best to continue.</p> <p>Former OFB Transition Staffer stated that there is also the matter of another member of the commission it's the parent member, the Legislative Education Committee Chair's - Senator Telena Nelson would have to appoint that member to the EFSC. As far as EFSC monthly FSD reports, the EFSC is behind and until the new OFB staff gets comfortable - those reports will be completed in due course. Hopefully, by next month (February) the reports through December may be completed. General discussion about other members learning how to generate the report and other provisions of the enabling EFSC legislation - fines for not meeting, voting and ex-official members.</p> <p>OFB moving onto Item IV FY 2019 Financial Status Designation for the month ended ending November 30, 2018. General discussion and explanations on how the reports are generated- financial data directly from the GDOE MLUNIS system provided to OFB - into the FSD template and spreadsheet, with formulas, and calculations that generate the projections and calculate C-Watch and B-Warning thresh holds. Because the draft is not complete (there are also pending modifications for the month of November), OFB opted and with no objections to table action on the November FSD until the report can be completed.</p> <p>Next item is the next meeting date. Members agreed OFB tentatively schedule for 3pm, Thursday February 21, 2019 for the EFSC February 2019 meeting and reserve the conference room in GDOE Building A in Tiyan. OPA motioned to adjourn the meeting. DOA seconded the motion and without objection, meeting was adjourned at 4:18pm.</p>	
<b>V. New Business</b> <b>a. Next Meeting Date and Time</b>		
<b>VI. Adjournment</b>		