



Guam Department of Education Non-Appropriated Funds

July 20, 2017

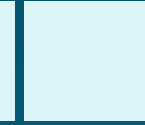
Points of Discussion

- System of Review and Accountability
- Roles of the internal Audit Office (IAO)
- Notable Improvements

Overview of NAF

- Over the past three years, there has been an average of \$2 Million transacted through Non-Appropriated Funds (NAF) annually.
- There are 40 schools that utilize NAF.
- Total of 65 bank accounts
 - 25 Student Activity Funds (SAF)
 - 40 Trust and Agency Funds (TAF)
- 900 sub-accounts (sub-ledgers)
- SAF
 - Funds raised by students with a dedicated purpose to benefit the student organization.
- TAF
 - Funds collected by the school that are used to benefit the school as a whole.

NAF Overview



SAF

- 25 schools
- 534 individual sub-accounts

TAF

- 40 schools
- 367 individual sub-accounts

- Transactions total up to 30,000 per School Year.
- There is an improved audit performance.
- Improved manner in which IAO directly works with schools to identify and address deficiencies.

System of Review and Accountability

- Accountability over NAF is not a one person or system fix.
 - There is a collaborative and shared responsibility from those involved to account for and review funds.
- There is an established Board Policy (BP) and Standard Operating Procedures (SOP) at each school.
 - The SOP identifies specific controls from the onset of cash receipts, cash handling, safeguarding of funds, disbursements of funds, reviewing, and reporting.

System of Review and Accountability

- GDOE has established appropriate cash management procedures.
 - Deliberate system in place to account for funds.
 - Increased monitoring and audit review
 - Improved system controls
 - Routine quarterly and annual reviews which result in reports that identify deficiencies and provide recommendations.

Roles of IAO

- The IAO has a dual purpose
- The IAO is built into the NAF process as a compensating control to review and audit the compliance NAF and to ensure it is administered in accordance with policies and procedures.
 - Identify risk and deficiencies
 - Provides recommendations for corrective actions to address deficiencies
 - Ensure there are system controls
- The IAO performs certain tasks to assist schools and provide advisory services
 - Assist with monthly reconciliations
 - Perform quarterly reviews
 - Conduct annual audits
 - Provide annual NAF training
 - Offer assistance without sacrificing independence

Audit Improvements

- Wider scope of review. The IAO is now able to look at accounting of all schools, not just a select few.
- There are system changes. The live Munis system allows the IAO to see transactions as they happen.
- More timely monitoring and reconciliations
- Provide a system helpdesk
- Annual NAF training
- Increased interaction with schools
- Increased transparency through IAO's website
- Higher quality of review – used by external auditors
- Identify risk through variance analysis
- Perform investigative and performance reviews
- Increased awareness of roles and responsibilities
- Improved audit performance especially in the last three years.

Inherent Risk

- Even with a perfectly designed system with strong controls, if there is an malicious intent to deceive and manipulate the system, there is still risk for misappropriation.
 - Inherent risk when dealing with cash.
 - There is temptation for employees that are dishonest or deceitful.
 - There is a need to have the due diligence to mitigate this risk.

NAF Overview

- Student Activity Funds (SAF)
 - Money raised by student organizations held in trust by the school for the benefit of the Student Organization (SO). Funds are to be disbursed only for the purposes authorized by the SO.
- Trust and Agency Funds (TAF)
 - Money generated from various activities such as rental fees, lab fees, parking fees, wet garbage proceeds, and donations. These funds are used to benefit the whole student body.

NAF Overview

SAF

- 25 schools
- 534 individual sub-accounts
 - SBA
 - NHS
 - Class Clubs (i.e., C/O 2017, C/O 2018, 4th Grade, 5th grade etc.)
 - Close-Up
 - Sports Clubs (i.e., Basketball, Volleyball, etc.)

TAF

- 40 schools
- 367 individual sub-accounts
 - Admin General Account
 - Library Funds
 - Wet Garbage
 - Interscholastic
 - Lab Fees
 - GDOE 2K/5K
 - Guam Education Foundation

NAF Overview

SAF

- Ending balance as of June 7, 2017: \$578,473
- Receipts for SY 16-17: \$1,187,606
- Disbursements for SY 16-17: \$938,361
- Total Transactions per SY: Approximately 12,000 – 16,000

TAF

- Ending balance as of June 7, 2017: \$397,652
- Receipts for SY 16-17: \$728,990
- Disbursements for SY 16-17: \$456,690
- Total Transactions per SY: Approximately 6,000-8,000

System of Accountability

- Public Law (P.L.) 26-26
 - Guam Education Board Policy (B.P.) 715
 - Internal Audit Office (IAO) Standard Operating Procedure (SOP)
 - School SOPs
-
- Munis Financial Information System (FMIS)
 - NAF Oversight and Monitoring
 - NAF Annual Training
 - NAF Quarterly Reviews and Reconciliations
 - Website Posting
 - NAF Helpdesk
 - Hotline

History/Background

- Enabled by P.L. 26-26
 - The P.L. gave the Guam Education Board (GEB) the authority to create rules and regulations necessary to regulate and conduct fund-raising activities. Otherwise known as Non-Appropriated Funds (NAF).
 - Required an annual audit of all school funds and a report be filed with the Board and Legislature.
- Board Policy (B.P.) 715
 - The BP states that all school activity funds received by the school shall be under the custody and control of the Principal. Standard Operating Procedures (SOPs) should be established by each school to assure the proper accounting for and expenditures of all school activity funds.

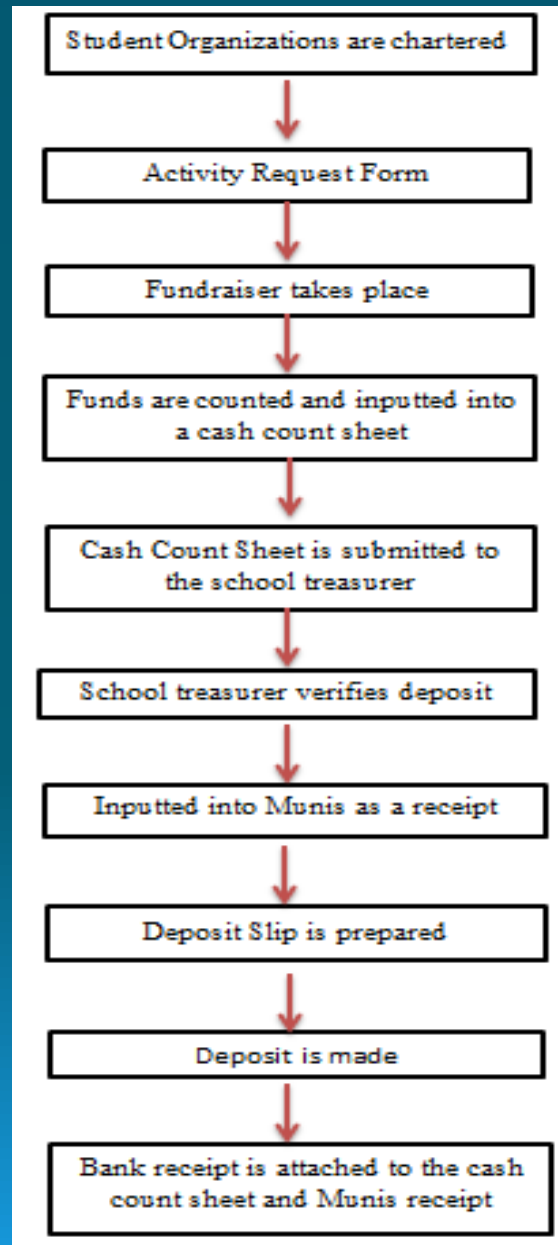
History/Background

- NAF SOP
 - Established by each school to assign responsibilities of NAF personnel (i.e. Principal, Assistant Principal, Admin Officer, etc.)
 - Provides procedures for the receiving, depositing, safeguarding, recording, and expending of NAF.
 - Should be updated as often as needed to reflect best practices or improvements that need to be made.

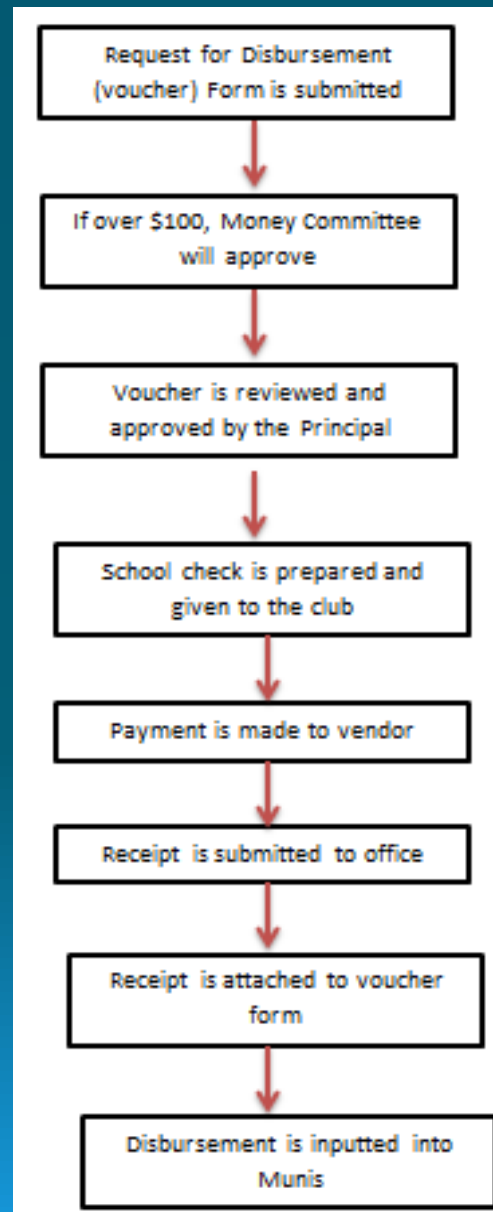
MUNIS

- NAF was inputted into Munis during December 2012 to March 2013.
- Since NAF was created, all reports and supporting documents have been managed manually, mainly through Excel.
- Munis allows the IAO to see transactions in real time rather than waiting for a school to give information or a report of transactions.
- Decreases the chance for human calculations error.
- Allows IAO to see what schools are inquiring about, therefore increasing the interaction between schools and IAO.
- Munis is able to maintains historical NAF information which schools can access.

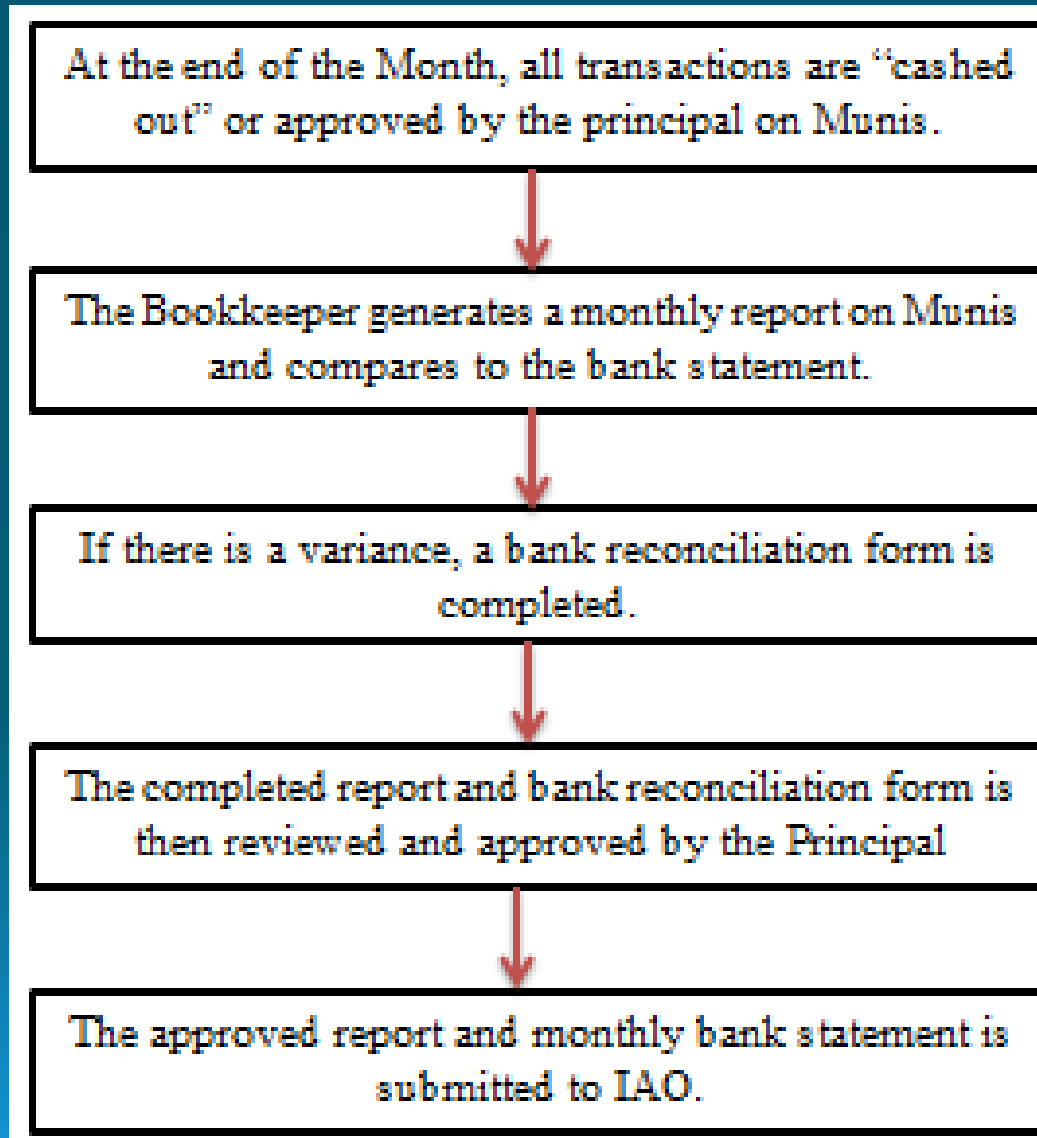
NAF - Receiving



NAF – Disbursements



NAF – Reporting



IAO's Roles

- Annual review of all NAF balances (variance analysis).
 - Reviewed and used by the external auditors in their Single Audit.
- Annual audit of high risk schools based on the variance analysis.
 - Reviewed and used by the external auditors in their Single Audit.

IAO's Roles

- Quarterly review of all bank statements and Munis balances. This information is posted on the IAO website.
- IAO provides assistance to schools that need help with reconciling accounts.
- IAO addresses minor issues with NAF on a daily basis
- IAO issues advisories to NAF concerns when needed.

Single Audit

- NAF was a finding in the Single Audit for 14 years, beginning from Fiscal Year (FY) 2001 to FY2014.
- In June of 2016, NAF was reduced from a finding to the comment in the Guam Department of Education's (GDOE) FY 2015 Management Letter
 - NAF was still a deficiency but improvement has been made.

Notable Improvements

- NAF has not been a finding in the Single Audit for the past two FY. After 14 years as a finding, deficiencies in NAF has been reduced to comment in the Management Letter.
- Introduction of Munis (GDOE's Financial Management Information System).
 - Munis has made it quicker for auditors to review NAF transactions as transactions can be seen in real time.
 - Eliminated human error in terms of calculating balances and adding or subtracting transactions.

Notable Improvements

- The Internal Audit Office's (IAO) involvement and interactions with school has been increased. More schools are now seeking advice and guidance when needed.
- NAF annual trainings are taking place as well as one-to-one trainings when requested by the school.

IAO WEBSITE

- Created in 2015 to increase awareness of GDOE's IAO responsibilities.
- To give access to resources pertaining to GDOE's High Risk status, Special Conditions, Single Audits, news updates, etc.



The screenshot displays the homepage of the Internal Audit Office (IAO) website. At the top, the Guam Department of Education logo is on the left, the text "INTERNAL AUDIT OFFICE" and "Guam Department of Education" is in the center, and the Department of Education logo is on the right. Below this is the contact information: "500 Mariner Avenue, Barrigada, Guam 96913 // Tet: (671) 475-0462 // Fax: (671) 472-5001 // E-mail: iao@gdoe.net". A navigation menu includes "Home", "About Us", "IAO Reports", "External Reviews", "High Risk Status", and "Hotline". The main content area features two images: a traditional Guamanian outrigger canoe on the left and a stone structure on the right. A quote at the bottom reads: "Our educational community prepares all students for life, promotes excellence, and provides support."

INTERNAL AUDIT OFFICE
Guam Department of Education

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"Our educational community prepares all students for life, promotes excellence, and provides support."

IAO WEBSITE - NAF

NON-APPROPRIATED FUNDS

MANDATES

Public Law 26-26 repealed and reenacted Chapter 3 of Title 17 of the Guam Code Annotated. Chapter 3, Section 3210 required the Guam Education Board (GEB) to create rules and regulations necessary to regulate conduct of fund-raising activities on the part of students, to safeguard the funds raised by such activities, and for the audit of such funds.

Board Policy 715 Management of Non-Appropriated Student Activities Funds, specifies two types of Non-Appropriated Fund (NAF): Student Activity Funds (SAF) and Campus Activity Funds or Trust and Agency Fund (TAF). SAF are cash raised, with the GEB's approval, by students for student organization activities. TAF are cash proceeds from activities such as the DEED program, rent, lab, parking, food contractors, wet garbage, and donations. SAF and TAF are Agency Funds held in trust by the school for the benefit of the student organization, of the whole student body.

Descriptor Term	Descriptor Code	Issued Date
MANAGEMENT OF NON-APPROPRIATED STUDENT ACTIVITIES FUNDS	715	08/16/05
	Revises:	Issued

BOARD POLICY

STUDENT ACTIVITY FUNDS (SAF)

Student activity funds (SAF) may consist of Student activities money and campus activity money.

Public Law 26-26 Section 6115 defines **Student Activities Money** as "money raised with the approval of the Board by the efforts of students in connection with any activities of student organizations, including without limiting the foregoing, school supply, stores, clubs, athletic activities, school plays, receipts from vending machines and other student Entertainments and yearbooks."

It shall be the policy of the Board that all school activity funds received by the school shall be under the custody and control of the Principal. The Principal shall be responsible and accountable for the "fund funds." Standard operating procedures shall be established by each school to assure the proper accounting for, and expenditures of all school activity funds.

IAO WEBSITE - NAF

ADVISORY SERVICES

Part of the Internal Audit Office (IAO)'s work is providing advisory services to the Guam Department of Education (GDOE). These services (e.g. counsel, advice, facilitation, and training) are intended to add value and improve GDOE's governance, risk management, and control processes without IAO assuming management responsibility. IAO holds various training events for GDOE employees and provides advisory services.

TRAINING

Every year, the IAO holds a training on NAF for GDOE school personnel handling NAF. In this section you will find the materials used during the training. The training provides an overview and procedures relative to the administration of NAF. The IAO would like to thank Tiyan High School for hosting the event and the school administrators and staff who participate in this annual training.

NAF Annual Training - August 10 to 12, 2015



IAO SY 15-16 Non-Appropriated Fund Presentation

NAF Annual Training - October 19 to 21, 2016



FMIS Student Activity End-User Entry Presentation



IAO SY 16-17 Non-Appropriated Fund Presentation

IAO WEBSITE - HOTLINE



To report fraud, waste or abuse in GDOE, you may use the following options:

1. CALL (671) 300 - 1340.
2. Visit IAO at GDOE in Barrigada, Guam.
3. Write regular mail to:
GUAM DEPARTMENT OF EDUCATION
INTERNAL AUDIT OFFICE
500 MARINER AVENUE
BARRIGADA, GU 96913-1608
4. Contact any of the IAO staff. Their contact details are listed on this [page](#).
5. Complete the online form on the right hand side of this page.

Name (optional)

First

Last

Email (optional)

Phone Number (optional)

Report information * 

Submit