

# GUAM DEPARTMENT OF EDUCATION RECONSIDERATION EVALUATION PLAN



By: Internal Audit Office  
Dated: April 3, 2019

# TABLE OF CONTENTS

- I. Recent Events
- II. Changes in Specific Conditions
- III. REP vs. CCAP
- IV. REP
  - Purpose of the REP
  - Reconsideration Process
  - Virtual vs. On-site Review
  - On-Site Review
  - Current Status
- V. Moving Forward



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF FINANCE AND OPERATIONS

OFFICE OF GRANTS ADMINISTRATION

March 13, 2019

Superintendent Jon Fernandez  
Guam Department of Education  
500 Mariner Avenue  
Barrigada, Guam 96913

Dear Superintendent Fernandez:

Enclosed are the corrected amended Federal Fiscal Year (FFY) 2018 specific conditions for U.S. Department of Education (Department) grants awarded to the Guam Department of Education (GDOE). These corrections reflect the agreed upon removal of specific conditions related to: (1) Prompt Access; (2) Program-Specific Conditions; and (3) Compliance with Program Requirements, which were included in the Department's January 29, 2019 communication.

The Department continues its commitment to acknowledging the progress that GDOE is making toward strengthening its management and administration of Department grant funds; as well as providing assistance to GDOE during the reconsideration evaluation process. If you have any questions or require further assistance, please contact Christine Jackson, the primary contact for Risk Management Services Division of the Office of Grants Administration within the Office of Finance and Operations, at (202) 245-8276 or via e-mail at [christine.jackson@ed.gov](mailto:christine.jackson@ed.gov).

Sincerely,

Jim Stader, P.E.

Deputy Assistant Secretary for Grants Administration  
Office of Grants Administration  
Office of Finance and Operations

Enclosure

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[www.ed.gov](http://www.ed.gov)

*The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.*

## RECENT EVENTS

Dates	Event
02/02/19	The U.S. Department of Education (ED) issued its Federal Fiscal Year (FFY) 2018 Amended Specific Conditions letter and final Reconsideration Evaluation Plan (REP) to replace the Comprehensive Corrective Action Plan (CCAP) with the REP.
02/15/19	The first set of REP requirements were due. The requirements were for the Internal Audit Office (IAO) to submit its Management of Internal Controls Assessment and all reports issued since Fiscal Year 2017.
02/28/19 - 03/30-31/19	The second set of REP requirements were due. The requirements were for Procurement and IAO.
03/11-15/19	Superintendent and senior level officials met with ED officials at Washington, D.C.
03/14/19	ED issued Corrected FFY 2018 Amended Specific Conditions letter.
03/16/19	ED issued its feedback on IAO's REP submission.

Multiple instances of financial mismanagement placed the restrictions on GDOE back in 2003. Fernandez sent a formal request last year to remove the "high-risk" designation. He says GDOE meets all requirements for federal grants and is in compliance.

"We went back to D.C. and we met with the assistant secretary in DC and we told him we said we're kind of concerned we're disappointed we thought you were concerned in removing these they took a look at the letter and said you know what you're absolutely right," he continued. "So they reissued a new letter so three of the conditions that were in the original letter have now been removed."



Four restrictions still remain, including the requirement for a yearly audit. The removal of GDOE's high-risk status is key to securing the \$30 million in federal funds without hiring a third party fiduciary for \$3 million a year.

"We use that money to supplement what we are currently providing to our students, so that money goes to technology that money goes towards training and development for our teachers," Fernandez said. "It goes towards instructional materials and resources."

## II. SPECIFIC CONDITIONS

### A. Requirement for Third-Party Fiduciary Agent

On September 13, 2010, GDOE entered into a contract with a third-party fiduciary agent, Alvarez & Marsal, LLC (A&M), approved by the Department, as required by section II.A of the FFY 2009 Amended Special Conditions imposed on Department grants awarded to GDOE. GDOE has maintained this contract with A&M for the past eight years and has renegotiated the contract with A&M for an additional two years through October 31, 2020. The Department will not authorize the obligation, liquidation or expenditure of Department funds unless a third-party fiduciary agent is in place for the full period of these specific conditions, or until the Department notifies GDOE in writing that the services of a third-party fiduciary agent are no longer required.

### B. Responsibilities of GDOE and the Third-Party Fiduciary Agent (Agent) Concerning Administration of Grant Funds

The responsibilities and requirements of GDOE in working with the Agent are set forth in Attachment A to these amended specific conditions. The responsibilities and requirements of the Agent in carrying out the financial management duties for GDOE's Department grants are set forth in Attachment B to these amended specific conditions.

### C. Reconsideration Evaluation Plan (REP)

1. On May 29, 2018, GDOE submitted to the Department a formal request for reconsideration of the FFY 2018 specific conditions applicable to its Department grant funds. Subsequently, the Department and GDOE worked together to develop a process for reconsideration, resulting in a Reconsideration Evaluation Plan (REP). The REP is based on the FFY 2018 specific conditions, the 2005 Office of Inspector General (OIG) audit report, and the Department's review and assessment of the status of GDOE quarterly reports under its Comprehensive Correction Action Plan (CCAP).

### D. Single Audits

GDOE must continue to ensure that its single audits are conducted, and audit reports submitted, annually and in a timely and complete manner. All single audits must be completed and reports published within nine months after the end of each fiscal year, as required by the Single Audit Act, as amended. If GDOE expects an audit or report to be submitted late, it must promptly notify the Department's contact person of the reason and extent of the delay.

The Department acknowledges that both GDOE and the Agent, acting on behalf of GDOE, are maintaining records related to the management of GDOE's Department grant funds and that the Agent is maintaining the financial management system for GDOE's Department grant funds. Accordingly, both GDOE and the Agent are required to provide the auditors with access to all records necessary to facilitate an effective audit of the Department grant and matching funds made available to GDOE.



# CHANGE IN SPECIFIC CONDITIONS

## FFY 2012-2018 Specific Conditions:

1. Requirement for a Third Party Fiduciary Agent (TPFA)
2. Responsibilities of GDOE and TPFA
3. **CCAP**
4. Single Audits
5. Prompt Access
6. Program-Specific Conditions
7. Compliance with Program Requirements

## FFY 2018 Amended Specific Conditions:

1. Requirement for a TPFA
2. Responsibilities of GDOE and TPFA
3. **REP**
4. Single Audits
5. Prompt Access
6. Program-Specific Conditions
7. Compliance with Program Requirements

## (Corrected) FFY 2018 Amended Specific Conditions:

1. Requirement for a TPFA
2. Responsibilities of GDOE and TPFA
3. REP
4. Single Audits
- ~~5. Prompt Access~~
- ~~6. Program-Specific Conditions~~
- ~~7. Compliance with Program Requirements~~

## REP VS. CCAP

The REP is a comprehensive document and is not a mere replacement of the CCAP.

### CCAP (09/30/18)

- 22 required actions
- 34 implementation deliverables
- no specific deadlines

### REP (02/01/19)

- 20 required actions
- 48 benchmarks
- 138 deliverables (documentation of completion)
- Due dates from February 15 to Dec 31, 2019

## REP: PURPOSE

- The REP is designed to:
  - Provide clear guidance to GDOE on actions that it must take and complete during the reconsideration process;
  - Inform ED the extent to which specific conditions may be removed and which financial management responsibilities may be returned incrementally (or otherwise) to GDOE; and
  - Inform ED whether GDOE has taken all necessary actions to render it capable of performing the financial management responsibilities currently performed by the TPFA, resulting in the removal of the requirement for the TPFA.

## REP: RECONSIDERATION PROCESS

- The REP contains benchmarks, documentations that GDOE must submit for evaluation to ED, submission deadlines, and identifies the manner of ED's review (i.e. virtual or on-site).
- The specific conditions and REP requires IAO to review and validate the sufficiency of documentation prior to submission to ED.
- ED will review the documentation for sufficiency and will conduct multiple on-site reviews throughout FFY 2019 to complete the evaluation process.



## VIRTUAL VS. ON-SITE REVIEW

Final REP (02/01/19)		Type of Review		Count of Deliverables
Risk Areas		Virtual	On-Site	
1	Employee Time Tracking	18	15	33
2	Financial Management Information Systems	13	4	17
3	Internal Controls	25	10	35
4	Procurement	10	3	13
5	Property Management	24	16	40
Total Count		90	48	138

- ED's virtual review of submissions involve the divisions responsible for each risk area. For example, Supply Management Office for documentation under Procurement.
- ED's on-site review interviews with staff from divisions and schools. The staff must be able to demonstrate their knowledge and compliance with certain procedures. The on-site review will be scheduled by ED.

## VIRTUAL REVIEW PROCESS

- Responsible divisions submit their documentation to IAO.
- If provided with ample time, IAO reviews the submission for sufficiency and provides feedback to the divisions.
- IAO submits the documents to ED and ED acknowledges receipt of the submission.
- ED provides a written response to IAO within 30 days of receipt, subject to further reviews.

## ON-SITE REVIEW – ETT AND FMIS

- Employee Time Tracking sample interview topics:
  - Time Certification SOPs for Federally-funded personnel and related training
  - Semi-annual certifications and related controls
  - Generating and reviewing time certification reports
- Financial Management Information Systems sample interview topics:
  - FMIS modules
  - Reconciling payroll reimbursements
  - Supporting reimbursement process

## ON-SITE REVIEW – IC, PROCUREMENT AND PROPERTY

- Internal Controls sample topic: Demonstrated knowledge and consistency of GDOE staff in compliance with SOP implementation
- Procurement sample interview topic: Procurement SOPs
- Property Management sample interview topics:
  - Property management SOPs
  - SOPs for reimbursement of lost and/or stolen items
  - Ordering and capturing Federally-funded equipment and supplies in Munis, including the arrival and delivery steps captured, and the purchased items entered in Munis

## CURRENT STATUS

- For the first quarter, 12 of 15 (or 80%) deliverables (documentations of completion) were timely submitted to ED.
  - IAO is working with the Superintendent to ensure completion of the three remaining deliverables and timely submission of documents to IAO moving forward.
- For this quarter, there are 50 submissions due to ED.
- The final date for REP submissions is December 2019.

Submission Deadline to ED	ETT	FMIS	IC	Procurement	Property	Subtotal
2/15/2019			4			4
2/28/2019			1	3		4
3/30/2019			1	5		6
3/31/2019		1				1
<b>Subtotal First Quarter</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>8</b>	<b>0</b>	<b>15</b>
4/30/2019		6		1	11	18
5/15/2019					5	5
5/30/2019		5	4		1	10
6/13/2019			1			1
6/15/2019					5	5
6/30/2019			9		2	11
<b>Subtotal Second Quarter</b>	<b>0</b>	<b>11</b>	<b>14</b>	<b>1</b>	<b>24</b>	<b>50</b>
7/31/2019	18					18
8/30/2019			1			1
<b>Subtotal Third Quarter</b>	<b>18</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>19</b>
12/31/2019			1			1
<b>On-site Visit or TBD</b>	<b>15</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>16</b>	<b>53</b>
<b>Subtotal Fourth Quarter</b>	<b>15</b>	<b>5</b>	<b>14</b>	<b>4</b>	<b>16</b>	<b>54</b>
<b>Total</b>	<b>33</b>	<b>17</b>	<b>35</b>	<b>13</b>	<b>40</b>	<b>138</b>



## MOVING FORWARD

- GDOE divisions and schools should plan and prepare for ED's onsite evaluation of GDOE staff's demonstrated knowledge of SOPs.
- Management needs to continue to provide IAO the required documents needed to support the required benchmarks.
- Management needs to ensure timely corrective actions for any cited deficiencies identified in the REP and establish a system of accountability for any gaps or non-compliance.
- GDOE to engage in discussions about removal of completed REP deliverables.

# CONTACT INFORMATION

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