

EDUCATIONAL FINANCIAL SUPERVISORY COMMISSION (EFSC)

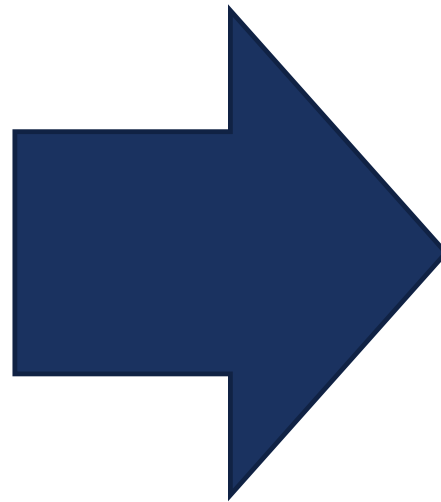
SEPTEMBER 15, 2016



SCOPE AND MAIN MESSAGE

- Scope of Presentation:

1. EFSC Enabling Legislation
2. Reconciliation of Cash Disbursements
3. Office of Finance and Budget (OFB) Financial Status Designation
4. C-Watch: FY 2016 Projected Lapse/(Shortfall)
5. C-Watch (Cont.): Causes and Corrective Action



Main Message: How do we mitigate C-Watch designations?

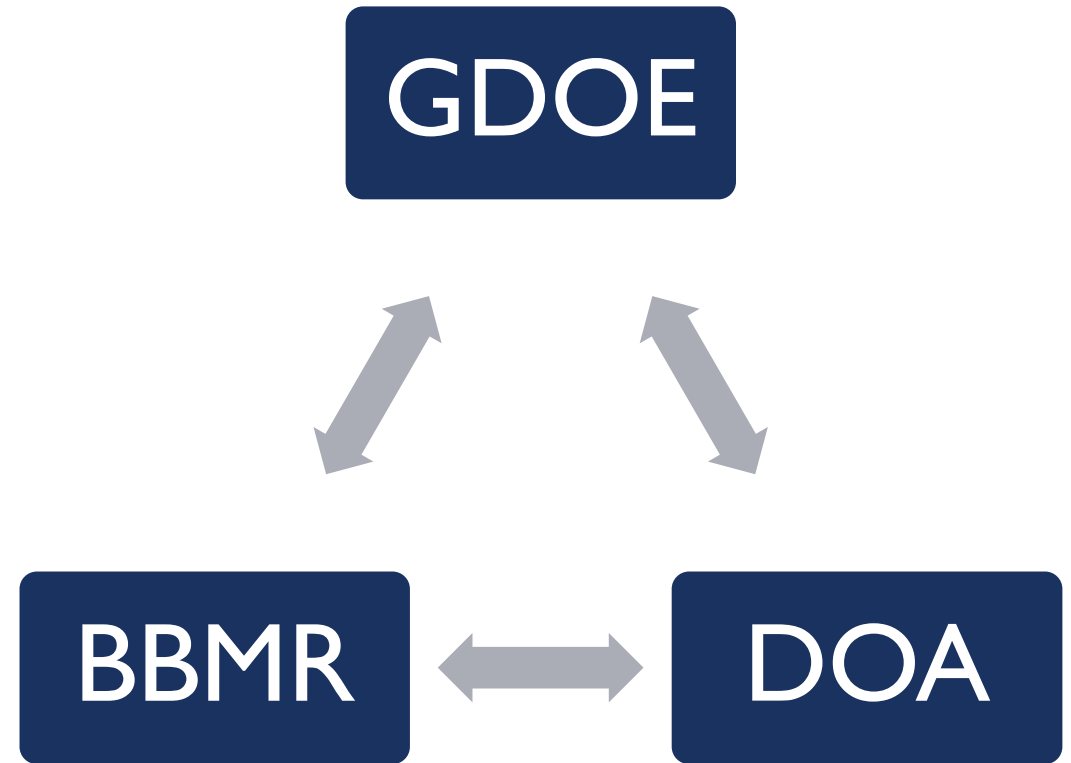
EFSC ENABLING LEGISLATION

- Pursuant to Public Law (PL) 30-164, the Education Financial Supervisory Commission (EFSC) was created to monitor the financial health of the Guam Department of Education (GDOE). The role of the EFSC is to **develop and supervise a financial status designation** of GDOE finances as well as to identify – in advance – any signs of financial distress that may lead to operational deficits. The EFSC is mandated to advise GDOE officials and the Guam Education Board (GEB) to implement corrective measures.
- The creation of this Commission was also a response from I Liheslaturan Guåhan to expeditiously respond to the “high-risk grantee” designation that was placed upon GDOE in 2010.
- The EFSC consists of five regular voting members and one alternate member, of which: Director of the Bureau of Budget and Management Research (BBMR), serving as the Chairperson; and OFB Director, serving as the Vice Chairperson.
 - Other members: Department of Administration (DOA), Office of Public Accountability (OPA), and GDOE.

RECONCILIATION OF CASH DISBURSEMENTS

- **Reconciliation of Cash Disbursements Report:**

1. GDOE
 - GDOE Cash Update Report
 - Accounts Payable Aging Report
2. BBMR Appropriation/Allotment Status Report
3. DOA – GDOE Allotment Received Report
4. OFB – Financial Status Designation Report





OFB FINANCIAL DESIGNATION REPORT

HOW DO WE GET OUT OF C-WATCH DESIGNATION?

OFB FINANCIAL STATUS DESIGNATION

- **Financial Status Designations, per Section 3133, Chapter 3, Title 17 GCA, are as follows:**

- **A-Stable:** Indicating that the GDOE has positive variance reports in all budgeted expense categories at the time of reporting.
- **B-Warning:** Indicating that the GDOE has a negative variance report exceeding 10% of the YTD budgeted amount in an expense category or 5% in aggregate at the time of reporting for budgetary object categories.
- **C-Watch:** Indicating that the GDOE has a negative variance report exceeding 2% of the approved budget amount when combining YTD actual and annualized projections at the time of reporting for budgetary object categories.

- **Financial Status Designation Actions**

- **CODE B-Warning.** The Superintendent of Education (Superintendent), in conjunction with the Deputy Superintendent of Finance, shall submit an **explanation of variance** within five working days of an EFSC Warning to the GEPB and EFSC that explains each expenditure category; and
- **CODE C-Watch.** The Superintendent in conjunction with the Deputy Superintendent of Finance, shall submit a **Corrective Financial Recovery Plan to eliminate Watch conditions** within 20 working days of an EFSC-issued Watch to the GEPB. The GEPB shall review, modify and approve by resolution the corrective Financial Recovery Plan and submit it to the EFSC within 15 working days of receipt from the Superintendent.

OFB FINANCIAL STATUS DESIGNATION (CONT'D)

B-Watch

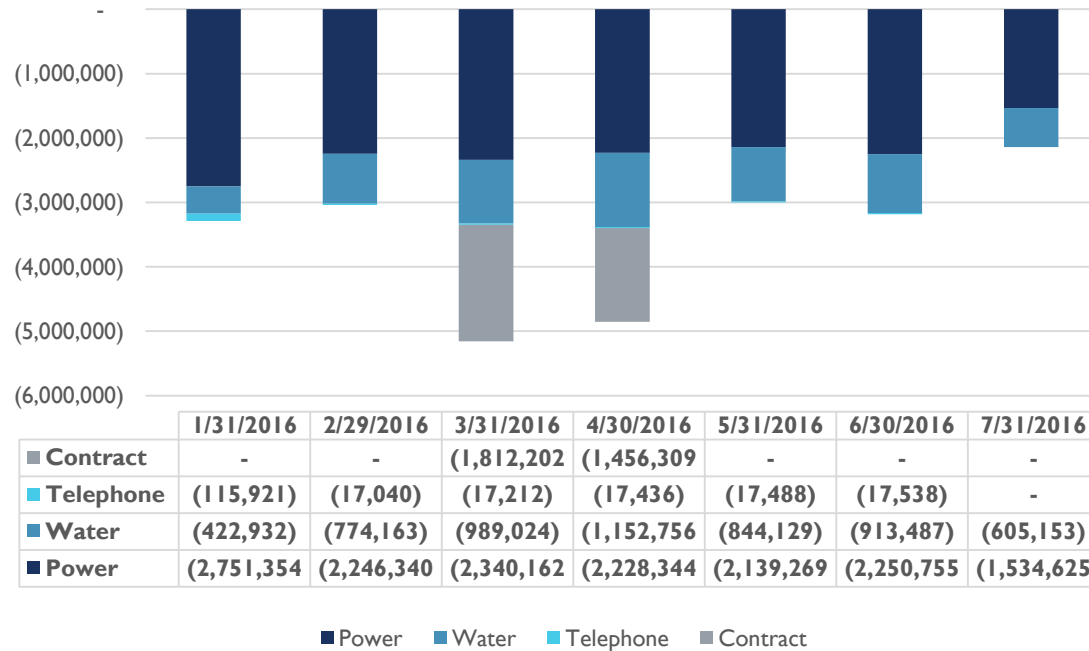
Account Code	Monthly Variance			CODE	Year-to-Date Variance			
	12-Month Operations BUDGET	Monthly ACTUALS	Variance		12-Month Operations BUDGET	Year-to-Date ACTUALS	Variance	CODE
111 Salary	14,590,607	13,437,967	1,152,640	A-Stable	110,959,158	108,165,631	2,793,526	A-Stable
112 OT	32,974	0	32,974	A-Stable	241,810	40,993	200,817	A-Stable
113 Benefits	5,074,328	4,822,454	251,874	A-Stable	41,348,596	38,244,297	3,104,299	A-Stable
Total Personnel	19,697,909	18,260,421	1,437,488	A-Stable	152,549,564	146,450,921	6,098,643	A-Stable
220 Travel	4,250	782	3,468	A-Stable	16,938	12,729	4,209	A-Stable
230 Contract	3,051,522	873,001	2,178,521	A-Stable	19,062,998	14,647,461	4,415,537	A-Stable
233 Rent	0	0	0	A-Stable	0	0	0	A-Stable
240 Supplies	256,302	422,385	(166,083)	B-Warning	1,719,311	1,362,529	356,782	A-Stable
250 Equipment	121,885	87,007	34,879	A-Stable	2,274,611	288,815	1,985,796	A-Stable
270 Wkrs Comp	0	0	0	A-Stable	0	0	0	A-Stable
271 Drug Testing	0	0	0	A-Stable	0	0	0	A-Stable
290 Misc.	0	0	0	A-Stable	2,509,000	0	2,509,000	A-Stable
361 Power	588,000	797,649	(209,649)	B-Warning	9,190,331	8,937,463	252,868	A-Stable
362 Water	285,000	192,427	92,573	A-Stable	1,913,972	2,099,271	(185,299)	A-Stable
363 Telephone	33,000	10,994	22,006	A-Stable	303,028	300,919	2,109	A-Stable
450 Cap. Outlay	0	0	0	A-Stable	331,740	0	331,740	A-Stable
Total Operations	4,339,960	2,384,245	1,955,715	A-Stable	37,321,929	27,649,186	9,672,743	A-Stable
GRAND TOTAL	24,037,869	20,644,666	3,393,203	A-Stable	189,871,492	174,100,107	15,771,385	A-Stable

C-Watch

A	B	C	D	E	F	G	H	I	J
Account Code	Budget Act(s) Appropriations	Reserve	Allotments	GDOE YTD Expenditures	Manual Adjustment	Projected Remaining Expenditures	Projected Lapse/ (Shortfall)	CODE	Encumbrances
111 Salary	134,831,751	4,477,567	130,354,184	108,165,631	0	19,562,466	2,626,087	A-Stable	0
112 OT	294,614	8,838	285,776	40,993	0	6,148	238,635	A-Stable	0
113 Benefits	50,110,540	1,578,904	48,531,636	38,244,297	0	6,948,766	3,338,573	A-Stable	0
Total Personnel	185,236,905	6,065,309	179,171,596	146,450,921	0	26,517,380	6,203,295	A-Stable	0
220 Travel	17,000	62	16,938	12,729	0	2,546	1,664	A-Stable	0
230 Contract	19,371,320	308,322	19,062,998	16,215,461	(1,568,000)	2,929,492	1,486,045	A-Stable	4,589,437
233 Rent	0	0	0	0	0	0	0	A-Stable	0
240 Supplies	1,756,602	37,292	1,719,310	1,362,529	0	272,506	84,275	A-Stable	930,476
250 Equipment	2,486,741	71,159	2,415,582	288,815	0	57,763	2,069,004	A-Stable	262,851
270 Wkrs Comp	0	0	0	0	0	0	0	A-Stable	0
271 Drug Testing	0	0	0	0	0	0	0	A-Stable	0
290 Misc.	100,000	0	100,000	0	0	0	100,000	A-Stable	0
361 Power	9,294,292	103,961	9,190,331	8,937,463	0	1,787,493	(1,534,625)	C-Watch	0
362 Water	1,933,734	19,762	1,913,972	2,099,271	0	419,854	(605,153)	C-Watch	0
363 Telephone	377,379	8,351	369,028	300,919	0	60,184	7,925	A-Stable	60,772
450 Cap. Outlay	342,000	10,260	331,740	5,618,438	(5,618,438)	0	331,740	A-Stable	0
Total Operations	35,679,068	559,169	35,119,899	34,835,625	(7,186,438)	5,529,837	1,940,876	A-Stable	5,843,536
GRAND TOTAL	220,915,973	6,624,478	214,291,495	181,286,545	(7,186,438)	32,047,217	8,144,171	A-Stable	5,843,536

C-WATCH: FY 2016 PROJECTED LAPSE/(SHORTFALL)

C-WATCH: PROJECTED SHORTFALL



Projected Lapse/(Shortfall)

- Fund: Consolidated Local Funds as of 07/31/16
- Formula for projected shortfall:

Budget Act(s) Approp.

Minus: Reserve

Total Allotments

Total Allotments

Minus: GDOE YTD Expenditures

Plus/Minus: Manual Adjustments

Minus: Projected Remaining Expenditures

Total Projected Lapse/(Shortfall)

- Note: EFSC Meeting held on August 31, 2016, revealed that in lieu of GDOE Budget Modifications submitted to BBMR will bring C-Watch accounts (i.e., water and power) as of 07/31/16 to **A-Stable**.

C-WATCH (CONT.): CAUSES AND CORRECTIVE ACTION

■ Causes:

- Legislature has underfunded operations.
- Limited Transfer Authority
- BBMR-Imposed Reserves Impact Financial Status Designations
 - Lowers the level of allotments GDOE is expected to receive and increases the estimated shortfall for specific object categories.
- Timing of modifications to ensure that we do not underfund personnel.
 - Pending BBMR to process GDOE allotment modification transferring funding from personnel to power, water, and telephone.
 - Pending DOA payments to GDOE of approximately \$3.8 million (M) earmarked for operations is subject to collections.

■ Corrective Action:

- Request for continued release of BBMR-Imposed Reserves, if any.
- Transfer of appropriation object categories such as Personnel to Utilities and Contractual Services to cover estimated appropriation shortfalls.
- GDOE get better at forecasting:
 - Update forecasts weekly for expenditures and biweekly for payroll.
 - Budget and accounting have regular meetings on status of cash/expenditures.
- Continued monitoring and tracking of DOA accounting adjustments.
 - Ex: DOA communicates with GDOE, any prior adjustments to the \$3.8M, so that both departments can be in agreement.