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## Questionable GACS financial practices outlined in DOE report



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Questionable financial practices and probable non-compliance with Guam procurement law are just some of the findings of a 40 page Guam Department of Education internal audit review of the Guahan Academy Charter School.

The October 12 report found a host of issues with the school's financial practices. For example, while GACS was appropriated \$4.8 million for FY 2017, the report shows the school requested \$5 million from the Department of Administration –or \$200,000 more than it was appropriated. In addition the school exceeded its budget request by \$1.7 million in six categories, with the DOE internal audit office (IAO) noting that the lack of controls in place to review the school's payment of invoices after funds are released poses a risk for financial mismanagement.

As of September 2017, a total of 16 invoices totaling \$428K failed to be validated by the IAO due to issues ranging from procurement deficiencies to the questionable nature and lack of authority for use of government funds.

For example, a \$332,825 Rex contract to retrofit the new Tiyan campus failed to meet procurement standards. Firstly, the invitation for bid did not describe the supply, service, or construction desired. Secondly, while the bid had a submission deadline of 3PM on April 14th, the Rex bid was opened at 10AM that same day. There was also no bid evaluation. The report indicated that failure to provide the IAO with procurement documentation strongly suggests that documentation is either not available, or worse, being generated to meet the IAO's request.

In addition, GACS has incurred long-term debt obligations, including the acquisition of a Barrigada property using government funds and now a new Tiyan property using unidentified funds. GACS also plans to acquire a 14 million Bank of

Guam loan and a \$7.8 million United States Department of Agriculture loan. The report noted the school's existence and revenue are not indefinite, making it unclear what organization becomes responsible for its debt obligations if its charter is revoked.

In addition, GACS has to yet to provide the IAO with complete financial statement audit reports despite numerous requests.

In light of the findings, the IAO report made several recommendations to the Guam Charter Schools Council, including seeking clarification from the Guam Legislature for the application of procurement protest and appeals for charter schools and the legislative intent to fund land-acquisitions and long-term debt.

Other recommendations include to review GovGuam and GDOE's liability relative to charter school debt obligation, require charter schools to submit documentation of payments to vendors, require charter schools participate in training and obtain certification in GovGuam procurement, having charter schools seek council or legislative approval before incurring long-term debt obligations and imposing a corrective action plan and timeline for any corrective actions that arise from deficiencies in procurement or financial mismanagement.



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