

GUAM DEPARTMENT OF EDUCATION MANAGER'S INTERNAL CONTROLS



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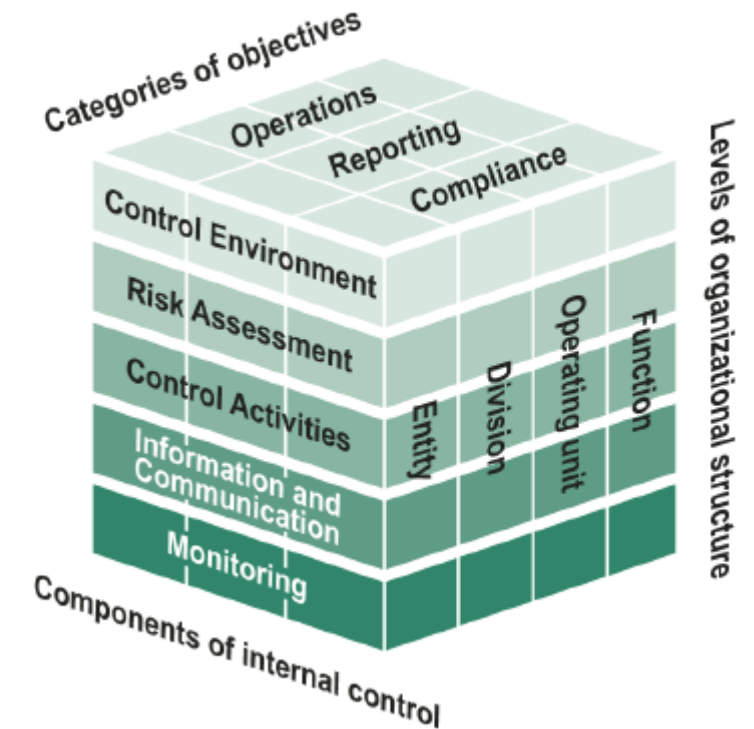
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INTERNAL CONTROLS OVERVIEW

- Internal control is a process used by management to help an entity achieve its objectives. It helps an entity: (1) run its operations efficiently and effectively, (2) report reliable information about its operations, and (3) comply with applicable laws and regulations.
- Internal controls have five components:
 - Control Environment - The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.
 - Risk Assessment - Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

INTERNAL CONTROLS OVERVIEW

- Control Activities - Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- Information and Communication - Management uses quality information to support the internal control system. Entity management needs access to relevant and reliable communication related to internal as well as external events.
- Monitoring - Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.



Sources: COSO and GAO. | GAO-14-704G

MIC RELATIVE TO US ED GRANTS

- In September 2008, Board Policy 702 established the MIC Program and the MIC SOP #1600-002 became effective.
- In January and May 2009, GDOE reported to the U.S. Department of Education (US ED), in its Comprehensive Corrective Action Plan (CCAP), that a new MIC Program has been implemented.
- US ED viewed the MIC Program as a major component for educating and emphasizing the need for GDOE to embrace such a program.

MIC OVERVIEW

- The Manager's Internal Controls (MIC) Assessment, a self-assessment tool, is GDOE's preferred method of evaluation for the MIC Program [Ref: GDOE SOP 1600-002].
- The MIC Program's objective is to ensure that GDOE's goals, objectives, policies, and procedures are conducive to achieving sound management controls and emphasize the importance of management integrity and ethics.
- The MIC Assessment has three phases:
 - The site manager conducts the MIC Assessment and documents results (managers should maintain the appropriate level of documentation to support the assessment).
 - IAO reviews the documentation and a subsequent site review is conducted to validate the manager's assessment.
 - The results of the review will be used to determine further necessary corrective action.

2014 MIC ASSESSMENT RESULTS

- In May 2014, the IAO required for all GDOE divisions and schools to complete the MIC Assessment, and provided training on the assessment to 48 divisions and schools.
- The IAO received a total of 155 MIC Assessments from 64 divisions and schools.
- Table #1 (on the right) shows the high risk divisions and schools, programs, and functions.

		Division/School Office	Warehouse	Liguan Elementary School	D.L. Perez Elementary School	Food and Nutrition	Legal - Super.'s Office	Financial Affairs	Juan M. Guerrero Elementary School	Benavente Middle School	Property	Upl Elem. School	Student Support Services	Facilities and Maint.	Merizo Martyrs Memorial School
		Average Overall Score	6.32	5.71	5.64	5.59	5.58	5.53	5.26	5.25	4.96	4.74	4.71	4.66	4.54
Program/Function	1	Procurement		✓	✓				✓	✓					
	2	Fixed Assets		✓	✓				✓	✓	✓				
	3	Time Distribution Report		✓	✓				✓	✓					
	4	Receiving and Delivery Processing	✓												
	5	Disposition of Unserviceable Property									✓				
	6	Child Nutrition				✓									
	7	The Emergency Food Assistance Program				✓									
	8	National School Lunch Program				✓									
	9	School Breakfast Program				✓									
	10	Management										✓	✓		
	11	Parent Family Community Outreach Program											✓		
	12	School Attendance Officer Supervisor											✓		
	13	Community Health & Nursing Service Admin.											✓		
	14	Principal													✓
	15	Legal					✓								
	16	Facilities and Maintenance Manager												✓	
	17	None Specified						✓							

2014 MIC ASSESSMENT RESULTS

- The common areas assessed by the schools were procurement, fixed assets, and Time Distribution Reports, while the divisions was GDOE management.
- The 13 high risk divisions and schools' General Control Environment and Inherent Risks yielded high risk ratings due to: (a) lack of communication and/or lack of available information, (b) special attention from outside interest groups on their units, and (c) GDOE's lack of attention of their units.
- Also, the responders' feedback highlighted the need for increasing staff capability by cross-training to perform duties.

MIC RELATIVE TO SINGLE AUDIT FINDINGS

MIC Assessment High Risk Areas

- School - Procurement
- School - Fixed Assets
- School - Time Distribution Reports
- Division - Management

Areas with Most Frequent Single Audit Findings

- Procurement
- Cash Management
- Period of Availability
- Allowable Costs/Cost Principles
- Equipment Management
- Non-Appropriated Funds

Two areas rated high risk by MIC Assessment responders are also repeatedly identified as audit findings in GDOE's Single Audit reports. Single Audit (OMB A-133 Audit) Reports are an organization-wide audit or examination of an entity that expends \$750,000 or more of Federal grants received for its operations.

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total	Yrs
Compliance Requirement Area	1 Procurement	3		5	6	3	4	2	3	5	3	2		1	2		39	12
	2 Cash/Cash Management		1	1	1	4	5	3	4	1							20	8
	3 Period of Availability	3		5	4	3	2		1								18	6
	4 Allowable Costs/Cost Principles	2		2	1	1	1	4	3	2							16	8
	5 Fixed Assets/Equipment Management		1	1	1	1	1	1	1	1	1	1	1	1	1		13	13
	6 Non-Appropriated Funds		1	1	1	1	1	1	1	1	1	1	1	1	1	1	14	14
	7 General Ledger	1	2	1	1			1	1				2				9	7
	8 Reporting	6		1	1	1											9	4
	9 Payables/Accrued Expenses/Encumbrances	2		1	1	1	1	1			1						8	7
	10 Matching, Level of Effort, Earmarking			1		1	1		1	1	1	1					7	7
	11 Eligibility	1		1	1	1		1									5	5
	12 Receivables			1	1	1	1	1									5	5
	13 Budget						1					1	1		1		4	4
	14 Interfund Transactions		1	1	1	1											4	4
	15 Reconciliations								1	1	1	1					4	4
	16 Special Tests and Provisions	1						1	2								4	3
	17 Accruals		1	1	1												3	3
	18 Earmarking			1	1		1										3	3
	19 Level of Effort	2				1											3	2
	20 Prepaid Expenses		1	1	1												3	3
	21 Subrecipient Monitoring	1					1	1									3	3
	22 Expenditures				1						1						2	2
	23 Program Income							1	1								2	2
	24 Activities Allowed or Unallowed				1												1	1
	25 Due to Federal Agencies						1										1	1
	26 Financial Management													1			1	1
	27 General Computer Controls					1											1	1
	28 General Ledger and SEFA Reconciliations														1	1	2	2
	29 Journal Voucher Processing												1				1	1
	30 Liabilities							1									1	1
	31 Local Expenditures and Allowable Costs/Cost Principles												1				1	1
	32 Schedule of Expenditures of Federal Awards (SEFA)														1		1	1
	33 Segregation of Duties			1													1	1
	34 Transfer Authority										1						1	1
	35 Travel Advances		1														1	1
	36 Withholding Taxes			1													1	1
Total		20	11	27	25	21	21	19	19	12	10	7	7	4	7	2	212	

MIC RELATIVE TO IAO AUDITS

- In selecting audit topics, the IAO has considered high risk areas identified in its MIC Assessment and Audit Assessment reports, as well as audit requests, hotline tips, and IAO staff input in developing its audit plan.
- IAO is currently auditing GDOE 2015 ISTE and NCES travel expenditures, Collateral Equipment, and School Year 2014-2015 Non-Appropriated Funds.
- IAO's upcoming audits will be on GDOE's Time Distribution Reports, School Meals, Payroll, and Non-Base Compensation (e.g. Overtime).

2016 MIC AND MIC ASSESSMENT

- IAO to propose an update to GDOE SOP 1600-002.
- IAO to provide training on internal controls, MIC, and new MIC Assessment tool.
- IAO to issue new MIC Assessment tool to divisions and schools.
- Division Heads/School Administrators and staff to complete new MIC Assessment tool.
- IAO to collect, follow-up, and analyze MIC assessments.
- IAO to report results of the MIC Assessment.
- IAO to validate high risk areas identified in the Assessment.

CURRENT VS. NEW MIC ASSESSMENT

Current MIC Assessment

- Assessment was on general control environment, inherent risk, and preliminary evaluation of safeguards.
- Contained language that was confusing or not applicable.

F. Special Concerns

1. During the past two years, this unit has not been subject to special attention by Any of the following:

A. DOE
B. Deadlines set by Legislation
C. Director of ABC Supply Depot
D. Litigation
E. Media

New MIC Assessment

- Assessment will be on all five internal control components.
- Language is relative to the survey responder.

39. The policies and procedures in my work unit allow me to do my job effectively.....

CURRENT VS. NEW MIC ASSESSMENT

Current MIC Assessment

EVALUATING & REPORTING ON MANAGEMENT CONTROL SYSTEM

VULNERABILITY ASSESSMENT QUESTIONNAIRE ANALYSIS OF GENERAL CONTROL ENVIRONMENT

Division/School/Office _____

N/A Not applicable

Program/Administrative
Function _____

1.- Yes/Low
2.- Don't know/Med
3.-No/High

	N/A	1	2	3	
A. Management Attitude					
1. Is Management of this assessment aware of the importance as they relate to this unit?					
2. Has Management communicated that importance to employees in the Unit?					
3. In the past year, has Management Specifically reviewed the management controls to assure they're working.					
B. Organizational Structure					
1. Does the unit have clearly written goals and objectives?					

New MIC Assessment

INTERNAL CONTROL SURVEY

Work in (please circle one):

Purchasing/Contracts

Receiving/Mailroom

Accounts Payable

Other _____

(PLEASE CIRCLE THE ONE RESPONSE THAT BEST DESCRIBES YOUR REACTION TO EACH STATEMENT)

KEY: SA = Strongly Agree A = Agree D = Disagree SD = Strongly Disagree DK = Don't Know

SECTION I: CONTROL ENVIRONMENT

The organization culture sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for the other components of internal control. (PLEASE CIRCLE ONE FOR EACH)

- | | | | | | | |
|--|----|---|---|----|----|-----|
| 1. The Administrative Officer (<i>Insert Name</i>) demonstrates high ethical standards..... | SA | A | D | SD | DK | (1) |
| 2. Executive Management (<i>Insert Name</i>) demonstrates high ethical standards..... | SA | A | D | SD | DK | (2) |
| 3. The Administrative Officer (<i>Insert Name</i>) strives to comply with laws, rules and regulations affecting the organizations..... | SA | A | D | SD | DK | (3) |
| 4. Executive Management (<i>Insert Name</i>) strives to comply with laws, rules and regulations affecting the organization..... | SA | A | D | SD | DK | (4) |

CONCLUSION

- The MIC Assessment provides a good starting point for identifying high risk areas within GDOE schools and divisions.
- However, it must be reviewed in conjunction with other reports that highlight GDOE's internal control weaknesses, such as GDOE's prior financial and single audit findings and whether it is in line with GDOE's CCAP.
- It will help direct management's attention to addressing the most common high risk areas within GDOE.
- The IAO will continue to include the validation of the evaluation process by performing tests and use professional judgment on the adequacy and effectiveness of the risk management and control systems.

ANY QUESTIONS?

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