



DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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FRANCIS E. SANTOS
Acting Superintendent of Education

September 16, 2022

Janet Scott, Acting Deputy Assistant Secretary
Office of Acquisition, Grants, and Risk Management
Office of Finance and Operations
U.S. Department of Education

Dear Acting Deputy Assistant Secretary Scott,

This letter is in response to the Specific Conditions Letter, dated June 29, 2022, and the Onsite Reconsideration Evaluation Plan (REP) Validation Report for the Guam Department of Education (GDOE) received on Thursday, July 28, 2022 (hereinafter referred to as the “REP Report”).

We are seeking clarity around the responsibilities of both GDOE and its third-party fiduciary agent (TPFA) described in the specific conditions letter. Specifically, the REP Report Attachments A and B outline the responsibilities and requirements of GDOE and the TPFA but are a bit ambiguous and duplicative in some areas. Therefore, we are asking for clarification around the designation of the following responsibilities.

Direct Drawdown of Salaries

GDOE contends that the specific conditions permit GDOE the authority to directly draw down federal funds for its salary expenditures and place the TPFA in an oversight role to ensure salary expenditures are allowable.

Currently, the TPFA requires GDOE to utilize its local funds to pay federally funded employees prior to access of federal funds for reimbursement. The drawdown for salaries are provided only upon the complete verification of accuracy and review of supporting documents for all payroll expenditures. This current process delays necessary funding for GDOE and the GDOE has proven it has proven it has a compliant payroll system as verified during the REP visit.

The REP Report states that the Business Office “[s]taff were able to produce source documentation to support randomly selected payroll and procurement transactions.” In addition, “[Grants Risk Management Services Division] GRMSD staff testing of the source documentation to support audited expenditures in the SEFA for the “Consolidated Grants to Outlying Areas” concluded as satisfactory for both payroll and nonpayroll transactions.” REP Report at 4. Accordingly, GRMSD has verified that GDOE’s payroll system is an accurate reflection of its expenditures.

In addition, the specific conditions themselves state that the TPFA should be in an oversight role to monitor GDOE’s compliance. Both the GDOE and TPFA responsibilities include that each “must establish and

maintain an effective process for tracking and reporting time and effort” Specific Conditions Letter, Attachment A ¶ 5; Attachment B ¶ 3. However, the TPFA responsibilities state that:

To carry out the responsibilities under this paragraph, the Agent must conduct an assessment of GDOE’s internal controls over payroll operations to ensure that the payroll process is functioning as intended and calculations of gross earnings from all work performed during the pay period are correct; an assessment to determine that there are proper controls and procedures for identifying employees who are paid in whole or in part from Department grant awards; an assessment to determine whether employees are being compensated at their approved salaries/pay rates and from appropriate funding sources; and other tests to ensure that payroll earnings, deductions, and withholdings are made in accordance with the law and correspond to information contained in the employee master file.

Specific Conditions Letter, Attachment B ¶ 3.

GDOE recognizes that it is continuing to work to fully automate its employee time tracking across all federal programs. The employee time tracking remains a priority for GDOE and GDOE anticipates the completion of procurement to expand the time tracking for all federally funded employees by December 2022.

Although not fully implemented, this should not deter from the corresponding results of GDOE’s progress. According to the REP Report, “[t]he automated process has improved the approval process and resulted in quicker drawdown of funds following a quick review by the TPFA.” However, the TPFA review should occur after the fact and not prior to salary reimbursement. This is especially true since time distribution records, required under 2 CFR 200.430(i), are after-the-fact reporting documentation that are reviewed and reconciled after staff has worked and been paid, a standard applied to all other recipients and subrecipients of federal funds.

Given that the specific conditions move TPFA to an oversight role through the review and conducting of assessments of GDOE’s system, the TPFA should no longer hold GDOE’s salary drawdowns on a reimbursement basis but instead move into an oversight role to review GDOE’s compliance. Therefore, GDOE seeks to clarify that the specific conditions permit GDOE direct drawdown authority of its salary costs.

GDOE Payment for Vendors

Currently, when GDOE draws down funds, the funds are deposited into a separate bank account controlled by the TPFA. The specific conditions state that the TPFA “must pay vendors for the delivered goods or services” and must disburse funds on the same day the funds are deposited into the TPFA bank account. Specific Conditions Letter, Attachment B ¶ 4. GDOE currently receives duplicate copies of invoices, with one copy going to the TPFA and another copy going to GDOE offices; however, the TPFA does not provide timely payment notification to GDOE. Instead, the GDOE runs a paid invoice report off the TPFA system and records the expenditures into GDOE’s system. This report can take an extraordinary amount of time to reconcile. This process resulted in a single audit finding, with the auditor noting “substantial effort is required by GDOE to reconcile its accrual-basis general ledger to TPFA’s cash-basis records.” GDOE Single Audit Report, Year Ended September 30, 2021 at 12. This difficulty was discussed with GRMSD staff during the REP visit and as stated by GRMSD staff, resulted in a single audit finding which was not the fault of GDOE.

GDOE recognizes that the business office is understaffed but as noted in the REP Report, GDOE employed staff with sufficient accounting knowledge to respond to specific inquiries. In addition, permitting GDOE direct access to pay its vendors will reduce the current reconciliation burden and significantly increase employees’ availability which will allow the Business Office run more efficiently.

Accordingly, to increase efficiency, GDOE is requesting permission to drawdown funds directly into GDOE controlled bank accounts so that GDOE may pay vendors directly. To ensure compliance and align with the goals of the specific conditions, GDOE agrees to provide the TPFA access to the accounts so it may monitor GDOE's actions and compliance.

Control Over Procurement Processes

The specific conditions make clear that all purchase order functions should return to GDOE's control within the GDOE MUNIS Procurement Module. However, the specific conditions also note that the TPFA will "continue to have the role as a reviewer within the PO workflow approval process in the GDOE MUNIS and will maintain authority to return POs that do not meet requirements for approval." Specific Conditions Letter, Attachment B ¶ 5. GDOE wants to clarify that the TPFA is not required to sign off on procurement contracts but instead may review agreements and purchase orders, etc. at their discretion, which results in an oversight and monitoring role. This would still allow the TPFA to return purchase orders that lack a specific requirement but will reduce the required signatures and increase the efficiency of GDOE's procurement process. GDOE anticipates transition of the procurement system upon the completion of TPFA's year-end close for the Fiscal Year 2022.

The REP Report notes that purchase orders are several months behind, but that was due in large part to the dual procurement process used by GDOE and the TPFA. See REP Report at 8. With the procurement system transitioned into GDOE's MUNIS system, GDOE has the opportunity to catch up on the outstanding purchase orders.

GDOE acknowledges that the procurement office is understaffed and has already initiated plans to recruit additional buyers and buyer supervisors and have them certified under Guam procurement laws.

Accordingly, GDOE has ensured its procurement process meets applicable requirements, has made significant progress in this area, and request removal of TPFA as a signatory, which is aligned with the specific conditions.

Control of Equipment Management

The specific conditions now provide GDOE full control over its equipment management processes. The specific conditions state that "GDOE must work with the [TPFA] to ensure that all tangible personal property procurement under Department grants is managed in accordance with the requirements of 2 CFR §§ 200.313(a) and (c)-(e) to ensure that such property is properly inventoried, maintained, and stored to prevent loss, damage, or theft of such property. Specific Conditions Letter, Attachment A ¶ 7. GDOE wants to clarify that this means that the TPFA is available as a technical assistance advisor and has no other responsibilities over the equipment management process.

We appreciate the ongoing support that your office has and continues to provide to GDOE and look forward to your response.



Francis Santos
Acting Superintendent
Guam Department of Education