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May 13, 2020

MEMORANDUM

TO: GDOE School Principals
GDOE Assistant Principals
GDOE School Treasurers

CC: Jon J.P. Fernandez, Superintendent of Education
Dr. Kelly Sukola, Deputy Superintendent, Educational Support and Community Learning

FROM: Franklin J.T. Cooper-Nurse, Chief Auditor, Internal Audit Office

SUBJECT: Guidance on School Year 2019-2020 Non-Appropriated Funds

Hafa Adai,

As you are aware, Executive Order 2020-04 mandated closure of all schools in response to confirmed cases of the coronavirus disease (COVID-19). In line with the executive order, on April 6, 2020, the Superintendent issued a memo to close the Guam Department of Education (GDOE) schools and cancelled daily classes through the end of School Year (SY) 2019-2020. This action was concurred by the Guam Education Board through Resolution No. 2020-03.

As a result of the school closures, questions regarding the administration of Non-Appropriated Funds (NAF) were forwarded to the GDOE management and the Internal Audit Office (IAO). The IAO presents these responses to questions received as of April 29, 2020. This memo is for informational purposes only and is intended to supplement the Principal's understanding of Board Policy 715 to promote better compliance.

Our role as auditors is to assess controls, performance, and compliance and not to set directives or make management decisions¹. If you have additional questions or concerns related to NAF, please e-mail Auditors Joy Bulatao at jvbulatao@gdoe.net, Carmela Vi at cavi@gdoe.net, and Isabella Tajalle at irtajalle@gdoe.net. Any questions or concerns related to Board Policy 715 should be addressed to the Guam Education Board.

¹ See Chapter 3 of the "GAO-18-568G Government Auditing Standards" (2018) for more information on auditor independence and management responsibilities.

ROLL-OVER OF FUNDS

1. Are Student Activity Funds going to be rolled over to the next year?

This question suggests an automatic process. However, the action of “rolling over” (or carrying forward Student Activity Funds [SAF] ending balances) is not automatic. Board Policy 715 states that “money raised in a specific academic year should be spent in the same year *except* [emphasis added] as otherwise noted.” Please see the following questions for conditions of when SAF may be rolled over.

2. Can SAF be rolled over to next school year?

In review of Board Policy 715, the language states “except as otherwise noted”. Therefore, the IAO interprets this as something that the board policy does not clearly restrict.

Additionally, the Superintendent, through the Deputy Superintendent of Educational Support and Community Learning (ESCL), issued a directive to allow elementary school Principals to roll over the SY 19-20 SAF ending balances to SY 20-21 SAF opening balances; and for secondary school student organizations to be given an opportunity for the disposition of the funds they raised. Following this directive, the Principal may direct the roll-over in accordance with Board Policy 715 and with the school’s established NAF Standard Operating Procedures (SOPs). The policy and procedures include ensuring accurate accounting of each student organization’s SAF ending balances prior to rolling over the funds.

3. Will student organizations be able to roll over all remaining SAF?

Yes. While the public health emergency pushed the timeline for closing out of transactions by “ending the school year early”, it is **critical** that student organizations are provided **ample time** to direct the expenditure of funds or close out their activities to prevent the lapsing of the funds they raised into the Trust and Agency Fund (TAF). This close out can take place **between** now and the beginning of SY 2020-2021. This close out must also be documented and carried out in accordance with the Board Policy 715 and the school’s established NAF SOPs.

Board Policy 715 states that “Any balance remaining in the account of a graduating class or an inactive club, after the class has graduated and the class or inactive club *has had an opportunity to determine the disposition of the balance* [emphasis added], shall not be considered as belonging to the graduated class or inactive club and shall be closed out to the campus activity administrative fund [or TAF] *at the beginning of the next school year* [emphasis added].”

It is important to note, however, that the Superintendent, through the Deputy Superintendent of ESCL, issued a directive to allow elementary school Principals to roll over the SY 19-20 SAF ending balances to SY 20-21 SAF opening balances. The Principals would need to ensure

accurate accounting of each student organization's SAF ending balances prior to rolling over the funds, in line with Board Policy 715 and with the school's established NAF SOPs.

4. Will each Club Advisor have to submit a letter for documentation purposes?

It is imperative that SAF documentation captures: (1) the student organization's disposition, (2) accounting of transactions, and (3) reporting of their fund balances. A letter from a Club Advisor represents the Advisor's testimony and does not replace more legitimate forms of documentation to satisfy the above requirements. Should the school opt to require letters from Club Advisors, the school's NAF personnel must still verify the completeness and accuracy of the documentation by validating against supporting documentation and reconciling against bank statements. The Club Advisor's testimony on its own does not replace the students' disposition. The IAO stresses the risk of teachers deciding the disposition of SAF unilaterally and the need to fulfill the above SAF documentation requirements.

5. Do administrators have the authority to roll over club funds to respective accounts for the next school year since SY 19-20 has now closed?

The Principal's authority of rolling over SAF for next school year is conditional. The first condition is that the student organization must have been given an opportunity to decide what to do with the funds they raised. Note that the authority for SAF primarily rests with student organizations. The second condition is if the roll-over is conducted to safeguard the funds in the best interests of the student organizations.

Board Policy 715 states that "all school activity funds received *by the school* [emphasis added] shall be under the *custody* [emphasis added] and *control* [emphasis added] of the *Principal* [emphasis added]." The Principal's authority is derived from a fiduciary capacity with funds submitted to the school for safekeeping. Before the Principal can conduct a roll-over, the Principal must ensure that the SAF ending balances are reconciled and supported with proper documentation.

USE OF FUNDS

6. Teachers would like to know if they can buy an end of the year incentive for each student or would it just automatically rollover for next SY?

The short answer is no. Based on review of Board Policy 715 and the GDOE schools' established NAF SOPs, there is no prescribed authority to allow teachers to determine the disposition of SAF. Though a case can be raised for elementary school students, secondary school students are more readily capable of making a cognizant and informed decision and thus, must be first given the opportunity to determine its disposition as authorized by Board

Policy 715. Until this opportunity has been provided, roll-over should not occur (see answer to question 1).

- 7. Clubs and organizations, aside from Class of 2020, would like to know if they are able to purchase gift certificates for their members in lieu of end of year (EOY) celebrations?**
- a. Teams/Clubs (especially 8th graders) requesting to use funds to purchase EOY T-shirts (Is this possible even though the school year is officially over?)**
 - b. Will clubs wanting to purchase T-shirts be able to once we resume normal operations?**

Yes, it is possible. The assumptions here are that: (1) the student organizations fundraised with the original intent to purchase these items, and therefore (2) the Principal approved the fundraising activity with this purpose in mind.

Purchasing items (e.g. t-shirts and gift certificates) are valid options when in line with the goals of the student organization. Although Board Policy 715 does not specifically restrict the types of purchases student organizations can make, the disbursements are still subject to the disposition of the student organization members (and approval of the Student Activities Money Committee if over \$100) and disbursement policy and procedures.

If the original intent for fundraised monies cannot be achieved due to circumstances (e.g. public health emergency), and the student organization would like to re-purpose the funds, the new purpose is again subject to the Principal's approval.

- 8. Can the Class of 2020 do a future event at a hotel like a graduation party in August or September? Obligate the funds now and make the deposit to the hotel? Or is it the end of the academic year?**

It is crucial that the student organization members (not the Club Advisor) decided to use the funds in this manner. Otherwise, this request may not be compliant with Board Policy 715.

Hosting such an event, when the school year has ended, makes it less feasible for all members of the student organization to participate. The event would cut into the members' future schedules (e.g. college or work), which may or may not be foreseen (e.g. another public health emergency). Even after consideration of these factors, there is no problem with hosting a future event if the members decided to pursue it, the funds were available and expended **before** the beginning of SY 2020-2021, and the school administration allows and approves such event.

- 9. How much leeway do we give senior classes to determine what to do with their remaining monies if they do not have graduation ceremony, baccalaureate mass, and awards ceremonies?**

- a. Clubs are wanting to know what is going to happen to the club funds that was raised during SY 2019-2020.**
- b. Can we have Class of 2020 encumber all their funds if they can provide a breakdown of funds and what will it be spent on up until May 22, indicate where and what their money will be spent on, and follow NAF procedures, but at the same time follow COVID-19 procedures?**

The main limitation here would be the feasibility of a dedicated timeframe. Again, Board Policy 715 states that the student organization members who raised the funds must be first given the opportunity to determine the disposition of the funds they raised. If they want to purchase items, refer to the answer to question 7. If they want to try to host another event instead, refer to the answer to question 8. If they choose neither and would like a roll-over of funds to the next year, refer to the answer to question 3. Otherwise, the funds will be relinquished to TAF.

Moreover, it is assumed that “COVID-19 procedures” stated in question 9b refers to Executive Order 2020-04’s closure of schools, prohibition on large gatherings, and maintaining social distancing of at least six feet. Note: At the time of the issuance of this advisory, the same provisions are still in effect through Executive Order 2020-11.

REIMBURSEMENT OF FUNDS

10. Would National Honor Society seniors who paid money (for tassels, etc.) be able to be reimbursed and if so, will the check be written to the advisor for reimbursement to refund seniors?

- a. Some teams had fundraised to pay for end-of-year activities. How do we refund students since these activities are cancelled?**
- b. Reimbursements to students via parents for off-campus field trips, which were cancelled due to COVID-19 such as the “Little Shop of Horrors” GATE Field Trip.**
- c. Reimbursements to parents for off-island field trips from student accounts, who will the check be written out to?**

Refunds and reimbursements are not explicitly covered in Board Policy 715. Principals should review their established NAF SOPs for guidance. The IAO is currently seeking guidance from the Superintendent and the Guam Education Board relative to providing individual reimbursements of NAF due to circumstances resulting from COVID-19.

Reimbursement will be reviewed on a case by case basis. All reimbursement requests should be addressed to the Superintendent for his review and approval prior to any reimbursements being disbursed by the school.

CHALLENGES TO COMPLIANCE

11. What is the guidance for those clubs who had fundraisers over the weekend (like car washes) and were not able to deposit because schools were shut down abruptly?

NAF needs to be handled in accordance with Board Policy 715 and the school's established NAF SOPs. The school's NAF personnel must put forth diligent effort in ensuring that NAF were properly transacted, safeguarded, accounted, and reported. The public health emergency may draw pause to a step in the process, but Administrators, Advisors, and the students should still effectively meet all NAF requirements.

If an unforeseen situation (i.e. COVID-19 pandemic) restricts this process at any point, temporarily stop at the step hindered and resume that step once the function(s) becomes restored.

12. Close out for the EOY - Will this be pushed back to give us time to complete all pending transactions? EOY report?

a. Please advise if March NAF will be due as normal?

The deadlines for NAF reports are specified in Board Policy 715 under Monthly Reports and Year-end Reports. Monthly reports are due every month, and annual reports are due by July 15 of every year. If there are any challenges in submitting these reports, then the School Treasurer or Principal will need to communicate with the IAO.

13. Can money committee meet via Zoom?

Yes, the Student Activities Money Committee may meet online using the committee's preferred method. Physical meetings are not required.