

GUAM DEPARTMENT OF EDUCATION RECONSIDERATION EVALUATION PLAN



By: Internal Audit Office
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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

October 4, 2018

Superintendent Jon Fernandez
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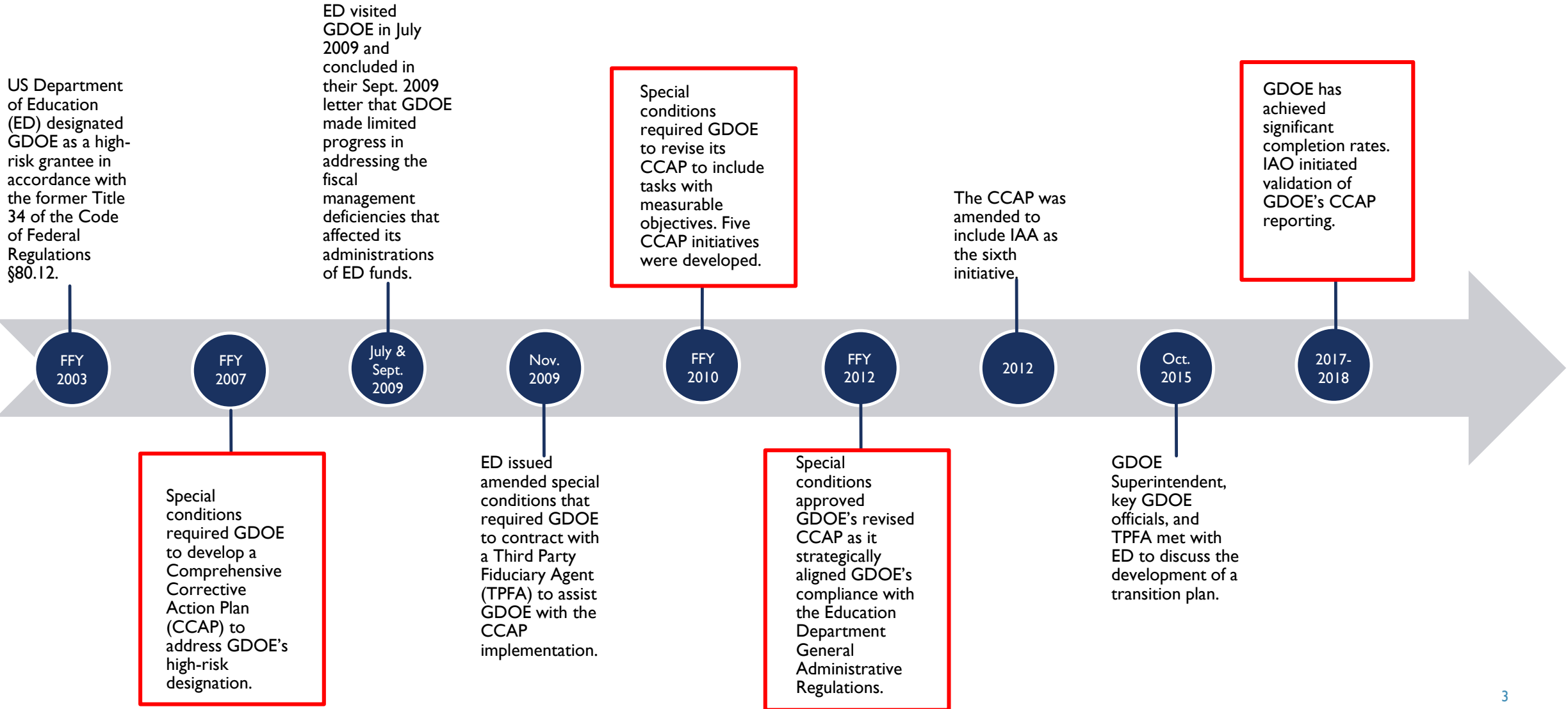
Dear Superintendent Fernandez,

As a follow-up to your meetings with U.S. Department of Education (Department) staff on July 16 and 18, 2018 in Washington, DC, we are providing this written response to address next steps in the reconsideration process. During the meetings, Department staff explained that the process will involve evaluating the Guam Department of Education's (GDOE) progress on meeting the requirements in the fiscal year (FY) 2018 Department-wide specific conditions, taking into account the progress as reported in the most recent GDOE Comprehensive Corrective Action Plan (CCAP) quarterly report.

The reconsideration request dated May 29, 2018, requests the Department to consider the removal of the Department-wide specific conditions, including the condition requiring third-party fiduciary agent oversight. The reconsideration evaluation process which is outlined in the attachment is intended to help ensure that the Department safeguards the appropriate accountability and use of Federal funds awarded to GDOE while contemporaneously assessing GDOE's progress and the extent to which requirements under the specific conditions may be removed.

To that end, and to clarify the specifics of the reconsideration process, we have developed the attached Reconsideration Evaluation Plan (REP), which is based on the Department-wide specific conditions, including the Department's review and assessment of the status of the CCAP, CCAP actions that remain outstanding, and Guam's addressing of the issues in the 2015 Office of the Inspector General (OIG) audit report. The REP includes critical actions, milestones, and timelines to guide GDOE in addressing any remaining deficiencies identified by the Department in need of completion. As GDOE demonstrates successful completion of tasks included in the REP, the Department will be prepared to modify or remove the Department-wide specific conditions, including the removal of the requirement for the third-party fiduciary agent (TPFA) oversight when appropriate. As part of the reconsideration evaluation, a team of Department staff may also conduct periodic onsite visits to GDOE to further document reported progress against the REP, and will share their findings with Department leadership at the conclusion of each visit, and ultimately with GDOE. Bi-weekly conference calls with participation from the GDOE and TPFA leadership, Department program staff, and the Risk

BACKGROUND: HISTORY



CHANGES IN CCAP INITIATIVES AND DELIVERABLES

- FFY 2018 ED Specific Conditions Letter, Section II (C)(3) states “[i]n the event that the ED or GDOE determines that additional measures are required in the CCAP to assist GDOE in improving its financial management and administration of ED funds, GDOE must amend the CCAP to include such measures, obtaining the ED’s **written** approval before proceeding with the additional measures.”
 - This criteria was added to ED’s 2013 Special Conditions Letter under II(C)(3).
- Since the issuance of the June 2011 CCAP, the required actions imposed on GDOE has changed in four of six initiatives:
 1. Financial Management Information System (FMIS)
 2. Intergovernmental Agency Arrangements (IAA)
 3. Internal Control (IC)
 4. Procurement (P)
- Upon IAO’s review, there appears to be no documented evidence of such an agreement to add-on or modify additional measures to the current CCAP.

Changes in CCAP Initiatives and Deliverables

Initiative	December 2017 CCAP	Prior CCAP
FMIS-2	Basic installation is now complete. The routine maintenance and enhancement will be reported in this section.	<p>In the June 2011 CCAP, the FMIS-2 required action was “over the next two years, the GDOE will implement an FMIS to enable GDOE to significantly improve its financial management of [ED] grants. Implementation will include hardware specification and selection, a stable operating system, a reliable network, and application software compliant with design specifications.”</p> <p>In the February 2013 CCAP, the FMIS-2 required action changed to the one found in the December 2017 CCAP.</p>
IAA-I	Guidance from USDOE's Title V-A Program Office regarding Intergovernmental Agency indicates that Title V-A does not authorize sub-grants to other agencies.	<p>The IAA CCAP initiative was added in the March 2012 CCAP, the CCAP IAO has on file after the June 2011 CCAP. The IAA-I required action then was “GDOE will draft and implement a Standard Operating Procedure (SOP) specific to sub-recipient/sub-grant arrangements between GDOE and other Guam governmental entities. The intent of the SOP is to provide clarification to each entity regarding the requirements and responsibilities for successful implementation of approved Federally-funded projects.”</p> <p>In the August 2013 CCAP, the IAA-I required action slightly changed to add other organizations: “sub-award arrangements between GDOE and other Public, Non-Profit & Other Institutions.”</p> <p>In the March 2015 CCAP, the IAA-I required action changed to “Guidance from [ED]’s Title V-A Program Office regarding Intergovernmental Agency. Based on Guidance, Title V-A does not authorize sub-grants to other agencies.” In the December 2017 CCAP, the IAA-I required action conceptually remained the same even with the slight change in language.</p>

Changes in CCAP Initiatives and Deliverables (Continued)

Initiative	December 2017 CCAP	Prior CCAP
IC-1	<p>Over the next two years, GDOE will develop and implement a credible financial management system. Management will ensure employees are properly trained on new system and trained on the new SOPs as a result of the new FMIS.</p> <ul style="list-style-type: none"> Credible financial management includes systems, policies, and procedures that (1) provide access to reliable information when needed, (2) account appropriately for funds, (3) ensure timely deposits or draw down of funds, (4) ensure timely and accurate payments, and (5) otherwise enable and support generally accepted government financial management and accounting standards and requirements. Additionally, the financial management system will record and account for all draws and expenditures of ED funds. 	<p>This is the language from the June 2011 CCAP. Based on the context, “over the next two years” meant 2012.</p>
IC-5	<p>GDOE will reconstitute IAO by developing an annual audit plan and hiring additional staff to conduct audit work, including the risk assessments (Management Internal Controls [MIC], Audit Assessment, and CCAP), and coordinating GDOE’s external audits.</p> <ul style="list-style-type: none"> The Chief Auditor will update the MIC. The MIC consists of GDOE school administrators and division heads’ risk assessments, and the IAO’s own risk assessment and validation of the identified high risk areas. Procedures and processes to ensure financial and Single Audit reports are issued within nine months after the end of each fiscal year per the Single Audit Act. 	<p>IC-5 and IC-6 required actions were added in the September 2014 CCAP.</p>
IC-6	<p>GDOE will develop reconciliation procedures to address Single Audit finding 2013-004 reconciliation between federal expenditures and Schedule of Expenditures of Federal Awards (SEFA), and 2013-005 reconciliation between general ledger and SEFA</p>	<p>IC-5 and IC-6 required actions were added in the September 2014 CCAP.</p>
P-3	<p>Improve departmental procurement processes beyond those responsibilities directly related to the modules of the FMIS.</p>	<p>In the June 2011 CCAP, the P-3 required action was “Establish sound business practices for procurement processes and system functions.” In the November 2012 CCAP, the P-3 required action language changed to the one found in the December 2017 CCAP.</p>

RECENT EVENTS

Dates	Event
April 16, 2018	<ul style="list-style-type: none">GDOE met and submitted a draft letter and CCAP assessment during the 2018 Insular Areas Technical Assistance Conference in Washington, D.C.GDOE worked with the office of Delegate Madeleine Bordallo to arrange a series of ‘high level meetings’ with ED officials to include Risk Management Service (RMS), General Counsel, and Principal Deputy Assistant Secretary Jason Botel. Additionally, the Secretary of Education Betsy DeVos was briefly present at the meeting.
May 29, 2018	Superintendent transmitted his official request to ED for reconsideration of the special conditions imposed on ED grants provided to GDOE.
June 27, 2018	ED issued its Federal Fiscal Year (FFY) 2018 Specific Conditions letter (formerly known as special conditions), acknowledging certain progress that GDOE made to address its financial management of ED funds and restructuring plan.
July 17-18, 2018	<ul style="list-style-type: none">GDOE’s Senior Executive Leadership met with ED officials at Washington, D.C. to advance discussions related to the removal of ED’s specific conditions.Subsequently, Delegate Bordallo transmitted an official letter to Secretary DeVos and Assistant Secretary of Elementary and Secondary Education Frank Brogan to support GDOE’s request for the removal of ED’s specific conditions; and sought to obtain procedural guidance for the reconsideration process.
October 4, 2018	ED submitted its REP and cover letter to GDOE, specifying the next steps in the reconsideration process.

REP: PURPOSE

- The Reconsideration Evaluation Plan (REP) is designed to:
 - Provide clear guidance to GDOE on actions that it must take and complete during the reconsideration process;
 - Inform ED the extent to which specific conditions may be removed and the extent to which financial management responsibilities may be returned incrementally (or otherwise) to GDOE; and
 - Inform ED whether GDOE has taken all necessary actions to render it capable of performing the financial management responsibilities currently performed by the TPFA, resulting in the removal of the requirement for the TPFA.
- The REP was based on ED's specific conditions, the 2005 Office of Inspector General (OIG) audit report, and the ED's review and assessment of the status of the GDOE CCAP quarterly reports, which include pending CCAP actions.

SUMMARY OF 2005 OIG REPORT

- Part of the evaluation includes ED's OIG 2005 Report on GDOE's Reported Costs for Consolidated Grants [CG] to Insular Areas and the Special Education Grants to States-Part B [SPED Part B].
- The report listed three findings, as follows:
 - Improperly charged costs to the grants;
 - GDOE charged \$8,902 to CG with an expired availability period.
 - GDOE charged \$6,380 for a purchase that was unnecessary to SPED Part B operations and performance.
 - GDOE charged the entire cost of transactions to the grants when portions were allocable to other activities.
 - Lack of required documentation for personnel costs charged to the grants; and
 - Inventory records did not reflect the current location of some equipment.
- The findings resulted in total questioned and unsupported costs of \$140,176. The OIG provided 14 recommendations for GDOE to address the findings.
- While GDOE is unaware of the status of these recommendations, the findings appear to be no longer valid.

REP: RECONSIDERATION PROCESS

- The reconsideration process involves evaluating GDOE's progress on meeting the requirements in ED's FFY 2018 Specific Conditions; and takes into account GDOE's CCAP quarterly report.
- ED will conduct its review of the documentation (virtual and on-site) for sufficiency and, in particular instances, will conduct multiple on-site reviews throughout FFY 2019 to complete the evaluation process.
- Successful completion of tasks in the REP, will dictate ED's preparation to **modify or remove** specific conditions, to include the TPFA oversight when appropriate.

FFY 2018 Specific Conditions:

1. Requirement for a TPFA
2. CCAP
3. Single Audits
4. Prompt Access
5. Program-Specific Conditions
6. Compliance with Program Requirements

March 2018 CCAP:

1. ETT
2. FMIS
3. IC
4. IAA
5. Procurement
6. Property Management

Identified Areas of Risk	Required End State	Benchmarks	Responsible GDOE Staff ¹	Submission Deadline ²	Documentation of Completion (GDOE action and documentation submission)	Evaluation Process ³	Completion Status
1. Employee Time Tracking (EET) (Reference: FFY 2018 Department-wide Specific Conditions, Attachment A, requirement #12, 19, 20, 21)	GDOE will have: 1.1 Developed and implemented effective policies and procedures for an effective employee tracking and reporting process for employees paid with ED grant funds.	GDOE must: 1.1.1 Finalize the work flow and training manual for the payroll reimbursement process in concert with the TPFA		By:	Department staff will review: Workflow and Training Manual/ Standard Operating Procedures(SOPs) for Payroll Reimbursement Process Validation Efforts: 1.1.1.1 Random sample of assessments conducted by the GDOE Internal Auditor's Office (IAO) of overall progress, that includes any findings and recommended mitigation steps (as appropriate) (multiple)	Virtual evaluation	
Risk: Lack of a fully automated time and effort process.					1.1.1.2 Random sample of IAO communications with GDOE staff regarding SOP addendums (multiple)	On-site evaluation	
					1.1.1.3 Addendums to approved Manual/ SOPs that include the proper steps, templates and written consequences for noncompliance	Virtual evaluation	
					1.1.1.4 Revised GDOE organizational structure that identifies GDOE staff who will perform similar roles and responsibilities to those currently performed by TPFA staff	Virtual evaluation	

<p>5. Property Management (Reference: FFY 2018 Departmentwide Specific Conditions, Attachment A, requirement #16, 17, 19, 20)</p> <p>Risk: Occupancy of the new warehouse on June 25, 2018 has not been accompanied by updated SOPs governing the daily activities of the Property Management Staff.</p> <p>Consistent timeliness of annual physical inventory reporting</p>	<p>GDOE will have: developed and implemented effective property management policies and procedures to:</p> <p>5.1 Ensure compliance with Federal</p>	<p>GDOE must: 5.1.1 Create and fill Real Property Management Manager position</p>		<p>By: September 30, 2018</p>	<p>Department will review: 5.1.1.1 Status report and timeline to fill vacancies for: Property Control Officer, Warehouse Supervisor, Property Management Manager and Real Property Management Manager by reviewing GDOE personnel actions, including position descriptions and job advertisements</p>	Virtual evaluation	
	<p>regulations, including tagging and tracking inventory and prompt delivery of property purchased with Federal funds to proper locations</p>				<p>5.1.1.2 GDOE interim plan to strengthen the Property Management Office operations in the absence of these positions until the new staff are hired, including a risk analysis and mitigation steps</p>	Virtual evaluation	
		<p>5.1.2 Generate current year status reports for dissemination to ED and GDOE upper management</p>		<p>September 30, 2018</p>	<p>5.1.2.1 Current physical inventory reports with identified missing or stolen Federally-funded assets</p>	Virtual evaluation	
					<p>5.1.2.2 Specific property management SOPs for investigating and recovering missing or stolen Federally-funded assets, including the review of copies of investigations, internal GDOE communications, and/or police reports related to missing or stolen Federally-funded assets</p>	<p>Virtual evaluation</p> <p>On-site evaluation</p>	

PRELIMINARY ANALYSIS OF REP

- The REP listed benchmarks and documentation which were not previously included or officially agreed upon.
 - GDOE's June 2011 CCAP was accepted by ED as GDOE's corrective actions for its high risk designation.
 - However, the REP included items that were not required in the June 2011 CCAP.
- The Required End State and some Benchmark items in the REP were similar to the Required Actions, Implementation Deliverables, Status Reports, or Next Steps in GDOE's June 2011 and March 2018 CCAP.
- However, some of the REP's Benchmark and Documentation of Completion items, a total of 142 items, were additional items for GDOE to address for ED to review.

CCAP Elements in REP

Focus Area	JUNE 2011 CCAP		OCTOBER 2018 REP	
	Required Actions and Activities	Implementation Deliverables	Required End State	Benchmarks
ETT	3	6	3	4
FMIS	3	3	2	0
IC	5	12	6	1
Procurement	3	3	3	3
PM	4	4	6	2
TOTALS	18	28	20	10

(New) Additions in REP

Focus Area	OCTOBER 2018 REP	
	Benchmarks	Documentation of Completion
ETT	6	31
FMIS	7	17
IC	13	37
Procurement	1	11
PM	12	37
TOTALS	39	133

REP Deadlines

Risk Area	09/30/18	12/15/18	12/30/18	12/31/18	02/28/19	03/01/19	04/30/19	05/31/19	08/31/19	Grand Total
ETT-1	7									7
ETT-2	1									1
ETT-3	1									1
FMIS-1		1			1	1				3
FMIS-2	1	2						1		4
IC-1		1								1
IC-2					1					1
IC-3	4									4
IC-4				1						1
IC-5	1	1						1		3
IC-6	2	2								4
P-1	1									1
P-2	1									1
P-3	1	1								2
PM-1	3	1								4
PM-2	1									1
PM-3			1		1		1		1	4
PM-4				1						1
PM-5				2						2
PM-6	1	1								2
Grand Total	25	10	1	4	3	1	1	2	1	48

REP: GDOE'S ROLES AND RESPONSIBILITIES

- Management will need to designate and establish a listing of responsible GDOE staff and submission deadlines.
- Management will need to submit all supporting documentation, listed in the REP “Documentation of Completion”, to IAO for assessment and review via REP Share drive.
 - Properly cross-ref. to REP Doc. No. (e.g. I.I.I.I) for ease of review.
- IAO will review documents provided by Management, attest to the validation of such documents, and will advise the Superintendent that the documents sufficiently addresses the REP requirement.
- The Superintendent will then submit the documentation to ED, together with IAO’s attestation as to the validation thereof.
 - The Superintendent is GDOE’s point of contact for ED.

MOVING FORWARD

- GDOE to determine the relevance of REP proposed criteria (i.e. acceptance or non-acceptance).
- GDOE Management needs to determine whether the proposed deadlines in the REP need to change.
- GDOE Management needs to ensure required documents are being populated and support the required benchmarks.
- IAO to collaborate with management and document any initial areas of concern related to REP criteria.
 - IAO to examine October 2018 REP against GDOE's initial 2011 CCAP required actions for relevance.
 - IAO to examine ED's 2005 OIG Report No.A09-E0027 recommended corrective actions for relevance.
- GDOE to re-examine its interim reporting to ED (e.g. Transition plan, CCAP Quarterly Submission, and Validation Report) for proper alignment with REP.
 - REP used as the reference point for future calls to gather additional information to help ED assess GDOE's progress on the REP.
 - The initial call for GDOE to discuss REP with ED is scheduled for Thursday, 10/18/18.

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