

GUAM DEPARTMENT OF EDUCATION

**INDEPENDENT AUDITORS' REPORTS ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND ON INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 1998

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

Juan P. Flores
Superintendent of Education
Guam Department of Education:

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the Guam Department of Education for the year ended September 30, 1998. This Schedule is the responsibility of Guam Department of Education's management. Our responsibility is to express an opinion on this Schedule based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

During the year ended September 30, 1998, the Department of Education did not maintain a general ledger and did not maintain an adequate system of internal control. The Department of Education did maintain subsidiary ledgers to account for expenditures per federal program. We did not audit the general purpose financial statements of the Department of Education as a whole. Rather, our audit encompassed only the subsidiary ledgers in which federal program transactions were recorded. Had we audited the general purpose financial statements as a whole, other matters impacting the accompanying Schedule of Expenditures of Federal Awards may have come to our attention and been duly reported. Therefore, we cannot determine whether additional matters exist that should be incorporated in the accompanying Schedule.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we audited the general purpose financial statements as a whole, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Guam Department of Education for the year ended September 30, 1998, in conformity with accounting principles generally accepted in the United States of America.

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September 5, 2003 (except for note 3, as to which
the date is September 17, 2003)



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Juan P. Flores
Superintendent of Education
Guam Department of Education:

We have audited the Schedule of Expenditures of Federal Awards (the Schedule) of the Guam Department of Education (DOE) as of and for the year ended September 30, 1998, and have issued our report thereon dated September 5, 2003, which report was qualified due to the scope of our engagement encompassing only the subsidiary ledgers for federal program transactions and not the general purpose financial statements of DOE as a whole. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

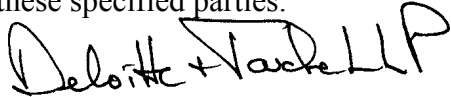
As part of obtaining reasonable assurance about whether DOE's Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as findings 1998-05, 1998-06, 1998-07, 1998-14, 1998-17, and 1998-18.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DOE's internal control over financial reporting of the Schedule in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting of the Schedule and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting of the Schedule, that, in our judgment, could adversely affect DOE's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Schedule. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 1998-01, 1998-05, 1998-06, 1998-07, 1998-13, 1998-14, 1998-17, 1998-18 and 1998-19.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting of the Schedule would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 1998-06 and 1998-07 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Guam Department of Education, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

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September 5, 2003 (except for note 3, as to which
the date is September 17, 2003)



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Juan P. Flores
Superintendent of Education
Guam Department of Education:

Compliance

We have audited the compliance of the Guam Department of Education (DOE) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1998. DOE's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 8 through 35). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of DOE's management. Our responsibility is to express an opinion on DOE's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DOE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DOE's compliance with those requirements.

As described in findings 1998-04 through 1998-07, 1998-10, 1998-11, 1998-14, 1998-15, 1998-17, and 1998-18 in the accompanying Schedule of Findings and Questioned Costs, DOE did not comply with the requirements regarding allowable costs/cost principles, eligibility, period of availability of Federal funds, procurement, subrecipient monitoring, and special tests and provisions that are applicable to its major federal programs described in the accompanying summary of auditors' results section (page 8) of the accompanying Schedule of Findings and Questioned Costs. Compliance with such requirements is necessary, in our opinion, for DOE to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, DOE complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

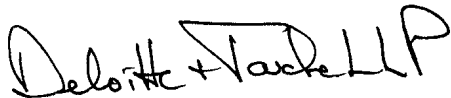
Internal Control Over Compliance

The management of DOE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered DOE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect DOE's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 1998-01 through 1998-18.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, of the reportable conditions described above, we consider findings 1998-05, 1998-06, 1998-07, 1998-13, and 1998-18 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of Guam Department of Education, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

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September 5, 2003 (except for note 3, as to which
the date is September 17, 2003)

GUAM DEPARTMENT OF EDUCATION

Schedule of Expenditures of Federal Awards
Year Ended September 30, 1998

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	Accrued (Deferred) Balance at September 30, 1997	FY 1998 Cash Receipts	Expenditures	Accrued (Deferred) Balance at September 30, 1998
U.S. DEPARTMENT OF AGRICULTURE:					
Pass-Through Guam Department of Administration:					
School Breakfast Program	10.553	\$ -	\$ 859,419	\$ 859,419 *	\$ -
National School Lunch Program (NSLP)	10.555	-	2,920,229	2,920,229 *	-
State Administrative Expenses for Child Nutrition	10.560	-	57,204	201,980	144,776
Nutrition Education & Training Program (NET Program)	10.564	-	-	55,542	55,542
Total U.S. Department of Agriculture		\$ -	\$ 3,836,852	\$ 4,037,170	\$ 200,318
U.S. DEPARTMENT OF DEFENSE:					
Pass-Through Guam Department of Administration:					
Planning Assistance to States	12.110	\$ -	\$ 902,443	\$ 1,373,276 *	\$ 470,833
Total U.S. Department of Defense		\$ -	\$ 902,443	\$ 1,373,276	\$ 470,833
U.S. DEPARTMENT OF LABOR					
Pass-Through Guam Department of Administration:					
Employment Services and Job Training-Pilot and Demonstration Programs	17.249	\$ 52,429	\$ -	\$ 125,484	\$ 177,913
Total U.S. Department of Labor		\$ 52,429	\$ -	\$ 125,484	\$ 177,913
FEDERAL EMERGENCY MANAGEMENT AGENCY:					
Pass-Through Guam Department of Administration:					
Public Assistance Grants	83.544	\$ -	\$ 3,799,731	\$ 3,045,185 *	\$ (754,546)
Total Federal Emergency Management Agency		\$ -	\$ 3,799,731	\$ 3,045,185	\$ (754,546)
U.S. DEPARTMENT OF EDUCATION:					
Pass-Through Guam Department of Administration:					
Multi State	84.025	\$ -	\$ -	\$ (176)	\$ (176)
Special Education-Grants to States	84.027	(256,680)	7,412,457	6,753,596 *	(915,541)
Special Education-Personnel Development and Parent Training (Training Personnel for the Education of Individuals with Disabilities)	84.029	(815)	101,553	86,645	(15,723)
National Diffusion Network (NDN)	84.073	(3,455)	-	-	(3,455)
Special Education-Preschool Grants	84.173A	1,409	126,504	122,811 *	(2,284)
Special Education: Grants for Infants and Families With Disabilities	84.181	257,857	1,100,812	1,160,772 *	317,817
Byrd Honors Scholarships	84.185	-	-	57,000	57,000
Christa McAuliffe Fellowships (CMFP)	84.190	800	67,728	56,442	(10,486)
Bilingual Education Support Services	84.194Q	-	49,448	108,560	59,112
Education Grant Program for the Freely Associated States	84.256	-	-	9,301	9,301
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276A	30,642	107,833	69,388	(7,803)
Bilingual Education: Program Enhancement Grants	84.289	-	28,967	38,267	9,300
Technology Literacy Challenge Fund Grants	84.318	-	-	9,092	9,092
Consolidated Grants	84.922A	1,552,330	7,455,984	8,349,223 *	2,445,569
Total U.S. Department of Education		\$ 1,582,088	\$ 16,451,286	\$ 16,820,921	\$ 1,951,723
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass-Through Guam Department of Administration:					
Child Care and Development Block Grant	93.575	\$ 172,688	\$ 148,800	\$ 22,206	\$ 46,094
Promote the Survival and Continued Vitality of Native American Languages	93.587	-	-	47,640	47,640
Head Start	93.600	66,220	1,300,275	1,533,979 *	299,924
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (SHEPSA)	93.938	1,215	46,686	66,424	20,953
Total U.S. Department of Health and Human Services		\$ 240,123	\$ 1,495,761	\$ 1,670,249	\$ 414,611
Total Federal Awards		\$ 1,874,640	\$ 26,486,073	\$ 27,072,285	\$ 2,460,852

* Based on requirements imposed in the audit, this program is audited as a major program.

See notes to Schedule of Expenditures of Federal Awards.

GUAM DEPARTMENT OF EDUCATION

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 1998

1. Scope of Audit:

The Guam Department of Education is a line agency of the Government of Guam, a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. Only the Federal expenditures of the Guam Department of Education (DOE) are included within the scope of the audit. The U.S. Department of the Interior has been designated as the Government of Guam's cognizant agency for the compliance audit.

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

DOE is named as the grant recipient on grant awards and is responsible for maintaining the accounting records for federal expenditures. Although DOE did not maintain a general ledger during this period, DOE did account for direct charges to each program within the Catalog of Federal Domestic Assistance in detailed subsidiary ledgers. The federal programs were not charged allocated costs or indirect costs. Therefore, all costs charged were direct.

During the year ended September 30, 1998, on a periodic basis, DOE provided its subsidiary schedules to the Government of Guam Department of Administration (DOA), which then submitted reimbursement requests to grantor agencies and drew down federal funds based on the subsidiary totals. DOA established a separate account for federal cash receipts and transferred the federal funds to DOE. DOE maintained a subsidiary ledger to account for all cash deposits from DOA.

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies, as passed through DOA during the year for each federal program. Cash receipts do not include matching funds from DOE.

All expenses and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which DOE maintains its accounting records.

b. Subgrants:

Certain program funds are passed through the Guam Department of Education to subrecipient organizations. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients outside of the Guam Department of Education's control utilized the funds. If the subrecipient expends more than \$300,000 in federal awards, the subrecipient separately satisfies the audit requirements of OMB Circular A-133.

3. Subsequent Event

Effective September 17, 2003, the U.S. Department of Education designated Guam Department of Education a "high-risk grantee," making it subject to special conditions in all of the Federal education programs it administers.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs
Year Ended September 30, 1998

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the Schedule of Expenditures of Federal Awards expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which were considered to be material weaknesses.
3. Instances of noncompliance considered material to the Schedule of Expenditures of Federal Awards were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which were considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Organization's major programs were as follows:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Planning Assistance to States	12.110
Public Assistance Grants	83.544
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education: Grants for Infants and Families with Disabilities	84.181
Consolidated Grants	84.922
Head Start	93.600

8. A threshold of \$812,169 was used to distinguish between Type A and Type B programs.
9. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>	<u>Federal Agency</u>	<u>Guam DOE Division</u>
1998-01	Reporting	\$ -	Agriculture	Food Services
1998-05	Allowable Costs/Cost Principles	\$ 205,357	Defense	Superintendent
1998-06	Procurement	\$1,260,382	FEMA	Business Office
1998-07	Allowable Costs/Cost Principles	\$ 16,155	FEMA	Business Office
1998-13	Allowable Costs/Cost Principles	\$ 134,033	Education	Federal Programs
1998-14	Procurement	\$ -	Education	Federal Programs
1998-17	Special Tests and Provisions	\$ 18,797	HHS	Head Start
1998-18	Period of Availability	\$ 58,204	Education	Special Ed.
1998-19	General Ledger	\$ -		

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>	<u>Federal Dept./Agency</u>	<u>Guam DOE Division</u>
1998-01	10.553/10.555	Reporting	\$ -	Agriculture	Food Services
1998-02	10.553/10.555	Eligibility	\$ -	Agriculture	Food Services
1998-03	12.110	Special Tests and Provisions, Matching, Period of Availability	\$ -	Defense	Superintendent
1998-04	12.110	Procurement	\$ -	Defense	Superintendent
1998-05	12.110	Allowable Costs/Cost Principles	\$ 205,357	Defense	Superintendent
1998-06	83.544	Procurement	\$1,260,382	FEMA	Business Office
1998-07	83.544	Allowable Costs/Cost Principles	\$ 16,155	FEMA	Business Office
1998-08	84.027	Period of Availability	\$ -	Education	Special Ed.
1998-09	84.027	Special Tests and Provisions	\$ -	Education	Special Ed.
1998-10	84.027	Eligibility	\$ -	Education	Special Ed.
1998-11	84.027	Subrecipient Monitoring	\$ -	Education	Special Ed.
1998-12	84.922	Period of Availability	\$ -	Education	Federal Programs
1998-13	84.922	Allowable Costs/Cost Principles	\$ 134,033	Education	Federal Programs
1998-14	84.922	Procurement	\$ -	Education	Federal Programs
1998-15	84.922	Subrecipient Monitoring	\$ -	Education	Federal Programs
1998-16	93.600	Reporting	\$ -	HHS	Head Start
1998-17	93.600	Special Tests and Provisions	\$ 18,797	HHS	Head Start
1998-18	84.181	Period of Availability	\$ 58,204	Education	Special Ed.
		Total Questioned Costs	\$1,692,928		

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-01
CFDA No.: 10.553/10.555
Program Name: Child Nutrition Cluster
Requirement: Reporting
Questioned Costs: \$0

Criteria:

The expenditures reported to the Federal Government on the financial status report (FSR) and the Reimbursement Claim should be reconciled.

Condition:

The FSR and the Reimbursement Claim for fiscal year 1998 differ as follows:

	<u>Per Reimbursement Claim</u>	<u>Per FSR</u>	<u>Over (Under)</u>
Breakfast			
1 st Qtr	\$ 266,107	\$ 236,330	\$ (29,777)
2 nd Qtr	249,443	244,871	(4,572)
3 rd Qtr	212,466	212,466	-
4 th Qtr	<u>206,975</u>	<u>165,752</u>	<u>(41,223)</u>
	\$ <u>934,991</u>	\$ <u>859,419</u>	\$ <u>(75,572)</u>
Lunch			
1 st Qtr	\$ 795,295	\$ 758,763	\$ (36,532)
2 nd Qtr	842,982	896,003	53,021
3 rd Qtr	725,120	725,120	-
4 th Qtr	<u>640,286</u>	<u>540,343</u>	<u>(99,943)</u>
	\$ <u>3,003,683</u>	\$ <u>2,920,229</u>	\$ <u>(83,454)</u>
Total underreported:			\$ <u>(159,026)</u>

Cause:

There appears to be a lack of controls over ensuring that the FSR and the Reimbursement Claim are reconciled.

Effect:

There is no known effect on the Schedule of Expenditures of Federal Awards as a result of this condition. However, it appears that a total of \$159,026 has been underreported.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-01, Continued
CFDA No.: 10.553/10.555
Program Name: Child Nutrition Cluster
Requirement: Reporting
Questioned Costs: \$0

Recommendation:

The grantee should establish and implement internal controls to ensure that the responsible person reconciles the financial status reports and the Reimbursement Claims at the end of the quarter prior to submission to the Federal Government.

Auditee Response and Corrective Action Plan:

No response is required. See auditors' response below.

Auditors' Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam's Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-02
CFDA No.: 10.553/10.555
Program Name: Child Nutrition Cluster
Requirement: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with 7 CFR part 3015, all financial and programmatic records, such as student listings, applications, and review determinations, should be documented on file for at least three years to substantiate Program transactions.

Condition:

For 2 (or 8%) out of 26 students tested, the following requested documents were not provided for review:

1. List of students under the programs at Chief Brodie Memorial School and the resulting student application.
2. Signed "Check List: Review Determination" for a student at Bishop Baumgartner Memorial School.

Cause:

There appears to be a lack of controls over ensuring that documents are maintained on file for at least three years.

Effect:

There is no known effect on the Schedule of Expenditures of Federal Awards as a result of this condition. However, the grantee is in noncompliance with records retention requirements.

Recommendation:

The grantee should establish and implement internal record keeping controls to ensure that documents are maintained on file for at least three years in accordance with 7 CFR part 3015.

Auditee Response and Corrective Action Plan:

No response is required. See auditors' response below.

Auditors' Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam's Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-03
CFDA No.: 12.110
Program Name: Planning Assistance to States
Area: Special Tests and Provisions/Matching/Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 special tests and provisions requirements, the grantee should comply with specific requirements that are unique to each Federal program and as are found in laws, regulations, and provisions of contract or grant agreements pertaining to the program. Furthermore, in accordance with the Common Rule records retention requirement, copies of such programmatic records should be retained on file for at least three years.

Condition:

No grant agreement for the planning assistance to states grant was provided for review. As a result, we were unable to determine whether the grantee has complied with the special tests and provisions, matching, and period of availability requirements.

Cause:

There appear to be weak record keeping controls.

Effect:

The grantee is in noncompliance with the Common Rule records retention requirements and may be in noncompliance with OMB Circular A-133 special tests and provisions requirements and with grant terms and conditions, matching requirements, and period of availability requirements.

Recommendation:

The grantee should provide the auditors with the grant agreement for the planning assistance to states program.

Auditee Response and Corrective Action Plan:

The grantee has not provided a response.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

Finding No.: 1998-04
CFDA No.: 12.110
Program Name: Planning Assistance to States
Area: Procurement
Questioned Costs: \$0

Criteria:

In accordance with DOE procurement regulations, requests for proposal (RFP) or requests for bid should be available for at least fifteen days prior to the specified opening date for the evaluation process.

Condition:

For one (or 25%) out of four procurement transactions tested (i.e., PO98001614/1615, amounting to \$196,341), the invitation to bid was published on June 26, 1998, with an opening date of June 30, 1998, resulting in only four days for potential bidders to respond.

Cause:

There appears to be weak internal controls over ensuring compliance with DOE procurement regulations.

Effect:

The grantee is in noncompliance with DOE procurement regulations. In addition, lower bids from responsive bidders may have been received had bidders been given the required fifteen days to respond.

Recommendation:

The procurement supervisor should adhere to the department's internal control procedures to ensure that invitations to bid are available for at least fifteen days in compliance with procurement regulations.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the auditor's recommendation. Beginning February 2003, the Procurement Office will ensure that the full fifteen days notice is made available. Periodical testing will be incorporated in our internal review plan to ensure full compliance.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-05
CFDA No.: 12.110
Program Name: Planning Assistance to States
Area: Allowable Costs/Cost Principles
Questioned Costs: \$205,357

Criteria:

Expenditures charged to a specific federal program should only be allowable expenses of the program.

Condition:

Wages and payroll-related expenses for teaching staff are disallowed under the program effective fiscal year 1998. For the following employees, we noted that the certified funding source was changed to "local;" however, such changes were not timely:

<u>Position</u>	<u>Effective Date of Change in Funding Source</u>	<u>Approved Date of Change in Funding Source</u>	<u>Total Amount Charge to Program in FY 1998</u>
Teacher V (03423)	08/22/97	05/24/99	\$ 45,681
Teacher V (03424)	08/03/98	08/10/98	33,973
Teacher II (03421)	08/18/98	12/09/98	32,302
Teacher V (03424)	08/03/98	08/13/98	37,848
School aide III (03405)	08/22/97	05/24/99	23,399
Teacher IV (03423)	08/03/98	08/11/98	32,154
TOTAL			\$ <u>205,357</u>

Cause:

The cause of this condition appears to be insufficient local funding to absorb the costs of these positions.

Effect:

The grantee is in noncompliance with OMB Circular A-133 allowable costs/cost principles.

Recommendation:

The grantee should fully investigate the allowability of these positions and reimburse the federal agency, should these positions indeed be disallowed under the grant award.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the auditor's recommendation. Beginning February 2003, the Business Office will ensure that all positions are screened and that the reimbursement authorization is documented before the expense is incurred.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-06
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Procurement
Questioned Costs: \$1,260,382

Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Condition:

For 33 (or 73%) out of 45 transactions, aggregating \$1,463,282 of \$3,045,185 in total Program expenditures, there is no significant history of the procurement on file for the following transactions:

	<u>Date</u>	<u>Vendor #</u>	<u>Reference #</u>	<u>Amount</u>
1.	02/24/1998	11273	D81901249	\$ 16,870
2.	02/24/1998	11273	D81901249	34,810
3.	02/24/1998	11273	D81901249	13,370
4.	02/24/1998	11273	D81901249	48,900
5.	02/24/1998	10841	D81901250	38,664
6.	02/24/1998	10880	D81901251	112,565
7.	03/06/1998	11361	D81901340	21,596
8.	03/06/1998	11361	D81901340	11,123
9.	03/18/1998	11469	D81901522	96,677
10.	03/18/1998	11470	D81901606	45,682
11.	03/27/1998	10308	D81901651	66,738
12.	03/27/1998	10711	D81901652	25,788
13.	03/27/1998	10711	D81901652	30,410
14.	03/27/1998	10711	D81901652	83,932
15.	03/27/1998	11470	D81901653	129,998
16.	03/27/1998	11471	D81901654	14,190
17.	03/27/1998	11471	D81901654	26,680
18.	03/27/1998	11473	D81901655	12,402
19.	03/27/1998	10268	D81901658	16,470
20.	03/27/1998	10841	D81901672	23,500
21.	04/09/1998	11479	D81901685	49,480
22.	04/09/1998	11479	D81901685	32,901
23.	04/09/1998	10268	D81901686	21,321
24.	05/08/1998	11471	D81902034	17,751
25.	05/08/1998	11471	D81902034	15,200
26.	05/26/1998	11464	D81902249	15,685
27.	05/26/1998	11464	D81902249	22,642
28.	05/27/1998	11288	D81902346	15,695
29.	05/27/1998	11473	D81902347	69,300
30.	05/22/1998	10937	D81902348	19,500
31.	06/10/1998	10899	D81902493	133,300
32.	08/18/1998	10404	D81903148	85,534
33.	08/18/1998	10774	D81903149	31,750
				\$ <u>1,400,424</u>

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-06, Continued
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Procurement
Questioned Costs: \$1,260,382

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 procurement requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 procurement requirements and the Common Rule. A questioned cost exists, as follows:

Total costs questionable	\$1,400,424
X Federal share	90%
Total questioned costs	<u>\$1,260,382</u>

Recommendation:

The procurement supervisor should establish and implement internal control procedures to ensure that all procurement is documented in sufficient detail in compliance with OMB Circular A-133 procurement requirements and the Common Rule. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

Auditee Response and Corrective Action Plan dated November 24, 2003:

The Government of Guam Department of Public Works (DPW) procured all contracts for major repairs and replacements of the Guam Department of Education (GDOE) facilities and equipment damaged or destroyed by Typhoon Paka on December 16, 1997. Copies of the contracts were forwarded to the GDOE for payment purposes, however all procurement documentation remained at DPW. The GDOE is currently in communication with DPW to obtain access to the files or to determine what federal agency is in possession of the documents. The GDOE anticipates that the examination or determination of the location of the documents should be completed by January 31, 2004.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-07
CFDA No. 83.544
Program Name: Public Assistance Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,155

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule, all financial records, such as check copies, payment requests, vendor invoices, receiving reports, purchase orders, damage survey reports, and other attendant support, should be retained to substantiate expenditures.

Condition:

Out of 45 transactions, aggregating \$1,463,282 of \$3,045,185 in total Program expenditures, we noted the following:

- (1) For 1 (or 2%), no supporting documents, such as check copies, payment requests, vendor invoices, receiving reports, purchase orders, and damage survey reports, were provided for the following transactions:

<u>Date</u>	<u>Vendor Number</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Vendor</u>
04/09/1998	10268	D81901686	\$ 21,321	M.D. Crisostomo, Inc.

- (2) For 30 (or 67%), no damage survey report (DSR), vendor invoice (INV), and/or receiving report (REC) was provided for the following transactions:

	<u>Date</u>	<u>Vendor Number</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Document Lacking</u>
1.	02/24/1998	11273	D81901249	\$ 16,870	DSR
2.	02/24/1998	11273	D81901249	34,810	DSR
3.	02/24/1998	11273	D81901249	13,370	DSR
4.	02/24/1998	11273	D81901249	48,900	DSR
5.	03/06/1998	11361	D81901340	21,596	DSR
6.	03/06/1998	11361	D81901340	11,123	DSR
7.	03/18/1998	11469	D81901522	96,677	DSR
8.	03/18/1998	11470	D81901606	45,682	DSR
9.	03/27/1998	10268	D81901658	16,470	DSR
10.	03/27/1998	10308	D81901651	66,738	DSR
11.	03/27/1998	10711	D81901652	25,788	DSR
12.	03/27/1998	10711	D81901652	30,410	DSR
13.	03/27/1998	10711	D81901652	83,932	DSR
14.	03/27/1998	10841	D81901672	23,500	DSR
15.	03/27/1998	11470	D81901653	129,998	DSR
16.	03/27/1998	11471	D81901654	14,190	DSR
17.	03/27/1998	11471	D81901654	26,680	DSR
18.	03/27/1998	11473	D81901655	12,402	DSR
19.	04/09/1998	11479	D81901685	49,480	DSR
20.	04/09/1998	11479	D81901685	32,901	DSR
21.	05/08/1998	11471	D81902034	17,751	DSR
22.	05/08/1998	11471	D81902034	15,200	DSR
23.	05/22/1998	10937	D81902348	19,500	DSR, INV

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-07, Continued
CFDA No.: 83.544
Program Name: Public Assistance Grants
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,155

Condition, Continued:

	<u>Date</u>	<u>Vendor Number</u>	<u>Reference Number</u>	<u>Amount</u>	<u>Document Lacking</u>
24.	05/27/1998	11288	D81902346	15,695	DSR
25.	05/27/1998	11473	D81902347	69,300	DSR, INV
26.	06/10/1998	10899	D81902493	133,300	DSR
27.	06/23/1998	10028	603296	12,750	DSR
28.	08/18/1998	10404	D81903148	85,534	DSR
29.	08/18/1998	10774	D81903149	31,750	DSR, REC
30.	08/20/1998	10008	1012399726	5,200	DSR
				<u>\$ 1,207,497</u>	

Cause:

There appears to be a lack of internal control policies and procedures over ensuring compliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule.

Effect:

The Program is in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements and the Common Rule. A questioned cost exists, as follows:

Total costs questionable	\$ 1,228,818
Less costs already questioned at a previous finding (See 1998-06)	<u>(1,210,868)</u>
Total costs questionable at this finding:	
Reference number 603296	\$ 12,750
Reference number 1012399726	<u>5,200</u>
	\$ 17,950
X Federal share	<u>90%</u>
Total questioned costs presented at this finding	<u>\$ 16,155</u>

Recommendation:

The grantee should establish and implement internal controls over record keeping in accordance with OMB Circular A-133 allowable costs/cost principles and the Common Rule. Also, the grantee should locate and provide the requested documents to effect resolution of this finding.

Auditee Response and Corrective Action Plan dated November 24, 2003:

The Government of Guam Department of Public Works (DPW) procured all contracts for major repairs and replacements of the Guam Department of Education (GDOE) facilities and equipment damaged or destroyed by Typhoon Paka on December 16, 1997. Copies of the contracts were forwarded to the GDOE for payment purposes, however all procurement documentation remained at DPW. The GDOE is currently in communication with DPW to obtain access to the files or to determine what federal agency is in possession of the documents. The GDOE anticipates that the examination or determination of the location of the documents should be completed by January 31, 2004.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

Finding No.: 1998-08
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 period of availability of Federal funds requirements, grant funds are available for expenditure and obligation by the grantee during the 15-month period from July 1 through September 30, plus a one-year carryover period. Unexpended/unobligated funds should be deappropriated at the end of the funds' periods of availability.

Condition:

There are unexpended/unobligated fund balances from grants for fiscal years 1995 and 1996, whose periods of availability ended prior to the fiscal year ended September 30, 1997 and September 30, 1998, respectively. The aggregate total of unexpended/unobligated balances is \$ 84,826, as follows:

<u>Account Number</u>	<u>End of Grant</u>	<u>Unexpended/ Unobligated Balance At FYE 9/30/98</u>
22.5.50.xx	1997	\$ 33,104
22.6.50.xx	1998	<u>51,722</u>
Total		\$ <u>84,826</u>

Cause:

There appears to be a lack of internal controls over ensuring that unexpended balances are deappropriated/deencumbered after the funds' periods of availability have expired.

Effect:

There is a potential for future grant award amounts to be decreased.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls to ensure that an employee is designated the responsibility of reviewing grant transactions at the end of the fund's period of availability, of accounting for unobligated balances, and of deappropriating/deencumbering such expired balances.

Auditee Response and Corrective Action Plan:

No response is required. See auditors' response below.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-08, Continued
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Period of Availability
Questioned Costs: \$0

Auditors' Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam's Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

Finding No.: 1998-09
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance of with OMB Circular A-133 special tests and provisions requirements and the eligibility requirements in the “Handbook for the Delivery of Special Education Services, SY 1997-1998,” the IEP Annual Review should occur on or before the annual date of the IEP and the reevaluation should be performed every three years to determine whether students still meet eligibility criteria as a handicapped child requiring special education under federal and local regulations.

Condition:

For 7 (or 16%) out of 45 files tested, the IEP Annual Review was performed late or was not performed, as follows:

<u>Student File</u>	<u>Scheduled IEP Review</u>	<u>IEP Review Date</u>	<u>Period Late</u>
3268	January 1997	October 1997	9 months
1032	May 1997	none	16 months
4091	May 1998	June 1998	1 month
3499	September 1998	September 1998	1 day
3637	May 1998	May 1998	4 days
2197	May 1997	August 1998	3 months
4105	August 1998	none	1 month

For 10 (or 22%) out of 45 student files tested, reevaluation was performed late or was not conducted as follows:

<u>Student File</u>	<u>Scheduled Reevaluation</u>	<u>Reevaluation Date</u>	<u>Months Late</u>
3268	May 1996	none	28 months
1634	January 1997	none	20 months
1032	August 1996	none	25 months
2673	March 1998	none	6 months
1875	September 1997	Mar 1998	6 months
2473	July 1998	September 1998	2 months
3219	March 1998	August 1998	5 months
3499	September 1998	none	1 month
2197	May 1998	October 1998	5 months
4105	July 1998	none	2 months

Cause:

There appears to be a lack of internal controls over ensuring the timely performance of student annual reviews and triennial reevaluations.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-09, Continued
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Special Tests and Provisions
Questioned Costs: \$0

Effect:

There is no known effect on the financial statements as a result of this condition; however, there is a potential for the Program to be providing services to students who would have otherwise been determined ineligible if the reviews were performed as required.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls to ensure that at the start of each month, the Consulting Resource Teacher (CRT) identifies the students due for annual IEP review and triennial reevaluation and initiates the review in accordance with OMB Circular A-133 special tests and provisions requirements.

Auditee Response and Corrective Action Plan:

No response is required. See auditors' response below.

Auditors' Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam's Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-10
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Eligibility
Questioned Costs: \$0

Criteria:

In accordance with eligibility requirements in the “Handbook for the Delivery of Special Education Services, SY 1997-1998,” parents are to be notified at least ten days prior to the Individualized Education Plan (IEP) Review Meeting.

Condition:

For 3 (or 7%) out of 45 student files tested (i.e. # 2174, 2197, and 4105), parents were not notified at least ten days prior to the IEP Review Meeting.

Cause:

There appears to be weak internal controls over ensuring that parents receive notification of the IEP Review Meeting at least ten days prior to the meeting date.

Effect:

There is no known effect on the Schedule of Expenditures of Federal Awards as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 special tests and provisions requirements and Program eligibility requirements.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should strengthen internal controls to ensure that the Consulting Resource Teacher (CRT) notifies parents at least ten days prior to the IEP Review Meeting.

Auditee Response and Corrective Action Plan:

No response is required. See auditors’ response below.

Auditors’ Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam’s Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-11
CFDA No.: 84.027
Program Name: Special Education – Grants to States
Area: Subrecipient Monitoring
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 subrecipient monitoring requirements, the pass-through agency must monitor the subrecipient for compliance with the subrecipient agreement.

Condition:

Under the memorandum of understanding between Guam Community College (GCC) and the Guam Department of Education (DOE)-Special Education, GCC agreed to provide DOE with (1) a detailed fiscal and performance report outlining all expenditures and program activities within thirty (30) days after the project termination date, i.e., December 31, 1998. However, GCC did not provide the detailed fiscal report for fiscal year 1998. Furthermore, the performance report was submitted 3 months late (i.e., April 28, 1999).

Cause:

There appears to be a lack of internal controls over subrecipient monitoring.

Effect:

There is no known effect on the Schedule of Expenditures of Federal Awards as a result of this condition. However, the grantee is in noncompliance with OMB Circular A-133 subrecipient monitoring requirements, and the subrecipient is in noncompliance with the subrecipient agreement.

Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Program.

Recommendation:

The grantee should establish and implement internal controls to ensure that subrecipients are monitored in accordance with OMB Circular A-133 subrecipient monitoring requirements and are directed to correct noncompliance findings.

Auditee Response and Corrective Action Plan:

No response is required. See auditors' response below.

Auditors' Response:

This finding had been initially reported in the Government of Guam Single Audit Reports for the Year Ended September 30, 1998, which report was dated October 15, 1999. Subsequently, in the Government of Guam's Fiscal Year 2001 Summary Schedule of Prior Years Audit Findings, which schedule is dated January 29, 2003, the status of this finding is considered resolved under the provisions of OMB Circular A-133, Section .315(b)(4).

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

Finding No.: 1998-12
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Period of Availability
Questioned Costs: \$0

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, funds appropriated in July of a fiscal year remain available for obligation during the succeeding 27 months.

Condition:

There are unexpended balances from grant years 1992 through 1996, whose periods of availability ended prior to the fiscal year ended September 30, 1998. The aggregate total of unexpended balances is \$ (1,358,073), as follows:

<u>Grant Year</u>	<u>Year Period of Availability Ended</u>	<u>Unexpended Balance at 09/30/98</u>
1992	1994	\$ (373)
1993	1995	41,826
1994	1996	505
1995	1997	(1,424,741)
1996	1998	24,710
		<u>\$(1,358,073)</u>

Cause:

There appears to be weak internal controls over ensuring that available balances are deappropriated/deencumbered after the fund's period of availability.

Effect:

Available balances for grant years 1992 through 1996 are misstated. If such balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements.

Recommendation:

The grantee should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

Management concurs with the recommendation. Budget Journal Entries will be made in the FY 2001 books in order to de-appropriate the balances showing in the financial statements.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-13
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Allowable Costs/Cost Principles
Questioned Costs: \$134,033

Criteria:

In accordance with OMB Circular A-133 allowable costs/cost principles requirements,

- (1) All financial records should be maintained on file to substantiate expenditures.
- (2) Personnel documentation should be maintained on file.
- (3) All expenditures should be properly authorized.

Condition:

- (1) For the expenditures indicated below, check copies, payment requests, invoices, or receiving reports were not maintained on file.

	<u>Vendor Name</u>	<u>Transaction Amount</u>	<u>Reference Number</u>	<u>Questioned Costs</u>
a.	Guam Community College Unlocated: Check copy, payment request & invoice	\$ 23,052	D81900073	\$ 23,052
b.	Macmillan/McGraw Hill Unlocated: Receiving report for invoice #E201757, in the amount of \$21,093	\$ 24,541	97001239	\$ 21,093
c.	Lakeshore Learning Materials Unlocated: Receiving report for invoice #2-266116, in the amount of \$ 788	\$ 5,192	97000732	\$ 788
d.	Pitsco Unlocated: Invoice	\$ 22,176	98001196	\$ 22,176
e.	GSA Unlocated: Document indicating date & amount paid, invoices, and receiving reports	\$ 66,924	AJE 605	\$ 66,924

- (2) For 3 out of 44 (or 7%) of employees' personnel action forms reviewed, there was no indication that the employee's salaries are charged to the Consolidated Grants program.

<u>Employee Number</u>	<u>Payroll Date</u>	<u>PAF Effective Date</u>	<u>Questioned Costs</u>
586928060	9/18/98	8/20/97	\$ 0
586079093	2/6/98	8/21/97	\$ 0
586071823	12/12/97	8/24/97	\$ 0

- (3) An adjusting journal entry was made without an authorizing signature.

<u>Reference</u>	<u>Description</u>	<u>Amount</u>	<u>Questioned Costs</u>
AJE 605	Accrual for GSA Supplies Requisitions	\$ 66,923.51	\$ 0

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-13, Continued
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Allowable Costs/Cost Principles
Questioned Costs: \$134,033

Cause:

- (1) There appears to be weak internal controls over ensuring that financial records are maintained to substantiate expenditures.
- (2) There appears to be weak internal controls over ensuring that employees' personnel action forms properly reflect the account number to which salaries are charged.
- (3) There appears to be weak internal controls over ensuring that approval of adjusting journal entries is documented and maintained on file.

Effect:

Conditions (1) and (2): The grantee may be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements. A questioned cost of \$134,033 exists.

Condition (3): The grantee may be in noncompliance with OMB Circular A-133 allowable costs/cost principles requirements. As this amount is already included as a questioned cost in Condition (1) of this finding, no further questioned costs result from this condition.

Recommendation:

- (1) The grantee should maintain all necessary documentation to substantiate all expenditures.
- (2) The grantee should ensure that personnel action forms for employees whose salaries are charged to the Consolidated Grants program indicate the account number/description for the program.
- (3) The grantee should ensure that all adjusting journal entries are authorized. Adjusting journal entries should be reviewed and signed "approved" by the financial controller or other appropriate individual prior to being entered in the financial management system.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

- (1) We concur with the auditors' recommendation. Explanation for the above findings are provided as follows:
 - a. Unable to locate jacket for Direct payment # D81900073, which includes the copy of the check, the direct payment request and invoice. However, check # 2003221 dated 12/10/97 in the amount of \$39,268.15 issued for this direct payment and other GCC invoices cleared at the bank on 12/18/97.
 - b. Unable to locate receiving report for invoice #E201757. Will ensure that future prepayments for merchandise are followed up for receipt of goods and invoices.
 - c. Unable to locate receiving report for invoice #2-266116. Will ensure that future prepayments for merchandise are followed up for receipt of goods and invoices.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-13, Continued
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Allowable Costs/Cost Principles
Questioned Costs: \$134,033

Auditee Response and Corrective Action Plan, Continued:

- d. Unable to locate invoice. Will ensure that future prepayments for merchandise are followed up for receipt of goods and invoices.
 - e. Payments made for GSA billings are not made in the same manner as payments made for other vendors. At the discretion of the Department of Administration, amounts due to GSA are deducted from the weekly allotment check to DOE. As of 1/27/03, DOA has not yet reconciled DOE's liability for GSA charges.
- (2) Concur with the recommendation.
- (3) Concur with the recommendation. Adjusting journal entries for GSA charges are made routinely. In order to expedite the drawdown of federal grant monies the entry was made without an authorized signature. Will ensure that all future journal entries are properly authorized.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-14
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Procurement
Questioned Costs: \$ 0

Criteria:

In accordance with OMB Circular A-133 procurement requirements, procurements shall provide full and open competition among vendors.

Condition:

School supplies in the amount of \$66,924 were requisitioned from the Government of Guam General Services Agency without the performance of price comparisons with other vendors.

Cause:

There appears to be weak controls over ensuring that price comparisons among vendors are documented.

Effect:

The grantee may be in noncompliance with OMB Circular A-133 procurement regulations. As questioned costs for the above are reflected in Finding No. 1998-13, no further questioned costs are presented at this finding.

Recommendation:

The grantee should perform price comparisons with other vendors and maintain documentation of such price comparisons to substantiate that the lowest-priced vendor was selected. If the lowest-priced vendor was not selected, documentation of the rationale for the selection of the vendor should be maintained on file.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

All schools and divisions of the department are instructed to request for supplies, first, through GSA. If stocks or items cannot be found or not listed at GSA, then outside vendors will be used. The rationale for using GSA first is that they have already gone through the procurement process to ensure that "government" gets the best deal, and in most cases the lowest prices.

Auditor's Response:

No documentation of cost comparisons between GSA and other vendors was maintained to substantiate that the price of supplies requisitioned through GSA was the lowest available. Therefore, the finding remains.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-15
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Subrecipient Monitoring
Questioned Costs: \$ 0

Criteria:

In accordance with OMB Circular A-133 subrecipient monitoring requirements,

- (1) The grantee shall identify to the subrecipient the Federal award information.
- (2) The grantee shall document monitoring activities performed to ensure that the subrecipient used funds for authorized purposes.

Condition:

- (1) Agreements between grantee and Guam Community College (subrecipient) for the: Driver's Education, Integrating Science and Allied Health, and Technology Education programs did not specify CFDA title and number, award name, name of Federal agency, or compliance requirements applicable to such award.
- (2) The grantee did not maintain documentation of monitoring activities performed.

Cause:

There appears to be weak controls over ensuring that subrecipient monitoring activities are properly documented.

Effect:

The grantee may be in noncompliance with OMB Circular A-133 subrecipient monitoring requirements.

Recommendation:

- (1) The grantee should ensure that subrecipient agreements specify CFDA title and number, award name, name of Federal agency, and compliance requirements applicable to such award.
- (2) The grantee should maintain documentation of all monitoring activities performed.

Auditee Response and Corrective Action Plan:

In a letter dated January 28, 2003, the grantee provided the following response:

We concur with the auditors' recommendations.

- (1) By no later than April 1, 2003, the Administrator, Federal Programs will append to the Guam Community College sub-grant the CFDA title and number, award name, name of Federal agency, and compliance requirements for sub-recipients. A copy will be forwarded to GCC.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-15, Continued
CFDA No.: 84.922
Program Name: Consolidated Grants
Requirement: Subrecipient Monitoring
Questioned Costs: \$ 0

Auditee Response and Corrective Action Plan, Continued:

- (2) By no later than April 1, 2003, the Administrator, Federal Programs shall develop an on-site monitoring plan and schedule for all GCC programs. The Administrator, Federal programs or designee shall conduct on-site monitoring reviews, report the findings, and maintain records of all monitoring activities.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-16
CFDA No.: 93.600
Program Name: Head Start Program
Area: Reporting
Questioned Costs: \$0

Criteria:

Semi-annual cumulative Financial Status Reports (SF 269) are to be submitted within 30 days after the end of the second and fourth quarter of each budget period. A final SF 269 is due within 90 days after the end of each budget period. This is a total of three cumulative SF 269s for each budget period.

Condition:

We could not determine when the following reports were submitted to the grantor agency due to the lack of mailing receipts or facsimile transmittals:

<u>Reporting Period</u>	<u>Date Due</u>	<u>Date of the Report</u>	<u>Date Submitted</u>
07/01/97 – 12/31/97	01/31/98	Report not dated	Unknown

Cause:

There appears to be weak record keeping controls.

Effect:

The grantee is in noncompliance with OMB Circular A-133 reporting requirements.

Recommendation:

The grantee should ensure that Financial Status Reports are submitted timely and copies are maintained through the audit process. Additionally, we recommend that the grantee indicate date mailed to evidence compliance.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the Auditor's recommendation. By March 2003, the Business Office will ensure that quarterly reconciliation process is done to ensure accuracy of reports, and that Financial Status Reports are submitted timely and copies should be maintained through the audit process. Business Office will also document the date mailed to show compliance.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-17
CFDA No.: 93.600
Program Name: Head Start Program
Area: Special Tests and Provisions
Questioned Costs: \$18,797

Criteria:

In accordance with OMB Circular A-133 special tests and provision requirements, the grantee should comply with the specific requirements that are unique to each Federal program and that are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Item seven of the program award's Terms and Conditions states that the grantee shall liquidate all obligations incurred under the award no later than ninety days after the end of the budget period.

Condition:

During fiscal year 1998, a total of \$18,797 was expended and liquidated under the 1996 grant. However, the liquidation period for the 1996 grant expired on September 30, 1997.

Cause:

There appears to be a lack of internal controls over ensuring that liquidation occurs within the fund's period of availability.

Effect:

The grantee is in noncompliance with the Terms and Conditions, which results in questioned costs of \$18,797.

Recommendation:

The grantee should ensure that all obligations are liquidated within ninety days after the budget period.

Auditee Response and Corrective Action Plan:

In a letter dated January 31, 2003, the grantee provided the following response:

Management concurs with the auditor's recommendation. By March 2003, the Business Office will review all reports to ensure that projected obligations will be liquidated within the ninety days after the budget period.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1998

Finding No.: 1998-18
CFDA No.: 84.181
Program Name: Special Education: Infants and Families with Disabilities
Requirement: Period of Availability
Questioned Costs: \$58,204

Criteria:

In accordance with OMB Circular A-133 period of availability requirements, funds appropriated in July of a fiscal year remain available for obligation during the succeeding 27 months.

Condition:

There are unexpended balances from grant years 1995 and 1996, whose period of availability ended prior to the fiscal year ended September 30, 1998. The aggregate total of unexpended balances is \$68,317, as follows:

<u>Grant Year</u>	<u>Year Period of Availability Ended</u>	<u>Unexpended Balance at 09/30/98</u>
1995	1997	\$ 62,118
1996	1998	<u>6,199</u>
		\$ <u>68,317</u>

Furthermore, expenditures totaling \$58,204 were charged to grant year 1995, whose period of availability ended prior to September 30, 1997.

Cause:

There appears to be weak internal controls over ensuring that available balances are deappropriated/deencumbered after the fund's period of availability.

Effect:

Available balances for grant years 1995 and 1996 are misstated. If such balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with OMB Circular A-133 period of availability requirements. Furthermore, a questioned cost of \$58,204 exists.

Recommendation:

The grantee should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate/deencumber unexpended balances.

Auditee Response and Corrective Action Plan:

In a letter dated January 30, 2003, the grantee provided the following response:

Management concurs with recommendation. Budget Journal Entries will be made in FY 2001 books in order to de-appropriate the balances showing in the financial statements. Will ensure that the fiscal year-end closing procedures include the de-appropriation of any unexpended balances.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1998

Finding No.: 1998-19
Area: General Ledger

Criteria:

A functioning general ledger should be maintained and general ledger balances should be periodically reconciled with subsidiary ledgers and with bank reconciliation balances.

Condition:

The Department of Education did not maintain accurate general ledger balances during the year ended September 30, 1998. Reconciliations with subsidiary ledgers and with bank reconciliation balances were therefore not performable. While the Department did maintain subsidiary ledgers detailing expenditures by account or by federal program, no overall general ledger total was maintained and reconciled to the subsidiary ledgers. Therefore, it was not possible during this year to ensure that all expenditures were duly recorded in the subsidiary ledgers.

Cause:

The cause of this condition is that once the general ledger was not periodically reconciled with underlying subsidiary ledgers, the task became so enormous that it was postponed.

Effect:

The effect of this condition is that the general ledger balances were determined as of September 30, 2001. The Department of Education is now in the process of rolling forward such reconciliations through 2002 and 2003. The Department has recognized this requirement and has accordingly committed to a March 31, 2004 deadline for the September 30, 2002 fiscal year end audit and a June 30, 2004 deadline for the September 30, 2003 audit. Until the general ledger balances are rolled forward, it is not possible to perform current period reconciliations and therefore, this process is ongoing in conjunction with the aforementioned audits.

Recommendation:

The Department of Education must continue to commit necessary resources to complete the audits per the aforementioned timetables. Once such audits are completed, the Department should be in a position to carry forward the reconciliations and to be able to prepare timely, accurate interim financial statements.

Auditee Response and Corrective Action Plan:

No specific response is required from the auditee as the Department has already committed to the recommended corrective action described above.

GUAM DEPARTMENT OF EDUCATION

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 1998

Unresolved Prior Year Comments

There are no unresolved prior year internal control findings from fiscal year 1997 and prior years.