
**Management Audit of the
Department of Education**

A Report to the
Governor, the
Judiciary and
the Legislature
of the Government
of Guam



Audit of Department of Education's Non-Appropriated Funds, Interscholastic Sports Funds & Lost Textbook Funds

SUMMARY

The Office of the Public Auditor performed an audit of Department of Education's (DOE) Non-Appropriated Funds, Interscholastic Sports Funds and Lost Textbook Funds.

Non-Appropriated Funds program (NAF)

This fund was created by Public Law 14-130 which states that all student activities money is all money raised with the approval of the Board by the efforts of the students, in connection with any activities of student organizations, including without limiting the generality of the foregoing, school supply, stores, clubs, athletic activities, school plays

Lost Textbook Fund or Lost Book Fund

This Fund was established by P.L. Law 16-85. The program basically states that funds received by school as fines for lost books shall be deposited in the Lost Book Fund. The Board of Education may expend money from the Lost Book Fund to purchase new textbooks or replace old or lost textbooks. The Board shall report to the Legislature no later than June 30 of each year of the total amount of fines collected by the Department and the income and disbursements from the Lost Book Fund.

Interscholastic Sports Fund

This fund was established by the Guam Interscholastic Athletics Association (GIAA) in August of 1994 under the jurisdiction of DOE's Secondary Division. The organization is responsible for implementing the policies and procedures for the DOE interscholastic sports program. The purpose of the program is to stimulate interest in and support for the development of interscholastic sports events.

The objectives of our audit within these three programs were to determine (1) the propriety of handling non-appropriated student activities funds; (2) the adequacy of internal control and record management; and (3) compliance with applicable statutes and regulations within these programs.

We reviewed the Department's mission, organization, operational policies and procedures and record management for school years 1998 and 1999. Our work was performed from the period of April of 1998 to January 1999 for the NAF program as well as for the Lost Textbook Fund and Interscholastic Sports Fund in accordance with

generally accepted government auditing standards. The fieldwork was performed at DOE's business office and at twenty-five elementary schools, seven middle schools and four high schools.

Our audit disclosed that schools failed to comply with applicable Public Laws and governing policies and procedures. We concluded that Department of Education failed to comply with Public Laws and that the department must explain, based upon the audit findings, the reason for this non-compliance with procedures and the type of corrective action necessary to address each finding.

Recommendations:

As a result of the NAF findings, the Office of the Public Auditor recommends the following.

1. Under Section 11414 of PL. 14-130, all money committees for each school must actively participate in all NAF programs by reviewing receipts and validating expenditures to insure accountability and reasonableness within the program
2. Under Section 11416 section A in regards to bonding, we asked the Deputy Comptroller to explain why the bonding procedures are not implemented within the system. DOE should take action to effect bonding and to ensure the safety of school treasurers, administrators and other support staffs who share responsibilities to account for NAF program itself.
3. Under Section 11416 section B all NAF programs receiving monies must issue receipts consistently in order to insure monies are documented and deposited in compliance with the board policy.
4. Under Section 11416 section C, treasurer must maintain reasonable accounting records for each NAF account and submit monthly reports to DOE business office.
5. Insure that school treasurer not commingle NAF funds with DEED monies by having the principal review all NAF and DEED programs separately.
6. In each training session the instructor for the program must carefully explain the importance of each NAF policy and procedure in detail from the handbook. Secondly, the instructor must cite example or examples in order to give a clearer understanding of the program itself.
7. DOE should conduct a survey to address the needs of the school treasurers in regards to Non-Appropriated Funds and assess its handbook of policies and procedures.
8. Update NAF policies and procedures.
9. Establish a written policy on internal controls regulating the Non-Appropriated Student Activity Funds.

10. For the schools that are late in reconciling, the Director should require an explanation for the delay in reconciling and additionally require schools to update their accounting records.
11. For the schools that have failed to reconcile at all, an explanation should be provided for this finding. Secondly, the Director should take immediate action to have the comptroller promptly address this matter and determine the true financial picture for each of these school problems.
12. DOE business office take part in reviewing the NAF records in a consistent manner.
13. DOE business office should scrutinize schools that have questioned costs on the NAF Programs to insure monies are fully accounted for.
14. Under the performance of audits, DOE should ascertain and explain why no formal reports were issued despite the financial affairs administrator's indication that they did perform audits.
15. Hire staff auditors to perform this necessary function as done previously. The staff auditors then must comply with generally accepted accounting principals and generally accepted auditing standards.
16. DOE director should immediately address irregularities in all schools with questioned costs stated in this audit report where monies were not properly deposited, and checks returned for insufficient funds.
17. Establish written policies and procedures for handling cash transactions for Lost Book Funds.
18. Have school principals and school treasurer verify all depository cash Collections in order to prevent commingling of Lost Book Funds with School Lunch collections.
19. DOE business office consistently reconcile all accounting records of Lost Book Cash Collections versus School Lunch Collections.
20. Establish written policies and procedures for the Interscholastic Sports Program in order to have accountability in their internal control system.
21. Establish a comprehensive system of accountability in the interscholastic sports program for assigned personnel to justify stipend payments to include time sheets with supervisory acknowledgement, and specifics of work activity.

22. Have the Athletic Director and school principal (in that manner) sign all Interscholastic Sports Program (ISP) contractual obligations in order to validate contracts and propriety of stipend payments.
23. Establish proper preservation practice within ISP of minutes of meetings, official records, including transcripts, and tape records in order to provide a record of all issues discussed and decisions made.
24. Properly initiate communication to all school administrators and interested parties within ISP in order for all concerned participants be aware of any changes or new events within the program itself.
25. Have DOE business office account for all cash transactions made from the Interscholastic Sports Program.



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February 16, 2000

The Governor of Guam
Speaker of the Guam Legislature
Presiding Judge of the Superior
Court of Guam
Agana, Guam 96910

Dear Governor, Speaker and Presiding Judge:

Pursuant to the Guam Code Annotated Title 1 Chapter 19, Section 1909, as amended by P.L. 25-42, the Office of the Public Auditor submits its report concerning the management audit of the Department of Education for fiscal years 1998 - 1999. This report consists of introduction, findings, and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "A. J. Sonny Shelton", written over a horizontal line.

A. J. Sonny Shelton
Acting Public Auditor

Enclosure
OPA-04-99

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INTRODUCTION

BACKGROUND

The Department of Education (DOE) was created under Title 17 of the Guam Code Annotated. It was amended by Public Law 15-56 and later, reenacted by P.L. 22-42. The Department of Education is tasked with the responsibility for providing an educational system for the island of Guam. It is administered through the Territorial Board of Education (the Board) which shall be the governing and policy-making body of the Department. On March 25, 1999 Public Law No. 25-03 was passed. The law dissolved the Territorial Board and director and placed DOE temporarily under the purview of "I Maga'lahaen Guahan, the Governor.

With purview over DOE, the Governor shall:

- a) Establish the criteria for the qualifications of, select, and hire a Director and Deputy Director to manage the department;
- b) Establish policies to provide a safe and healthful environment in all premises under its control and used for the education of students;
- c) Establish instructional priorities consistent with the needs of the students, their community and the economy;
- d) Govern policies of student discipline and control;
- e) Establish and promote an efficient and effective nutritional meal service program;
- f) Govern policies of extracurricular and interscholastic activities;
- g) Establish and approve rules and regulations for the administration of the Department which are consistent with sound business principles of management and government wide rules and regulations;
- h) Prepare and develop an annual budget to fund the Department's operations, and submit to the Legislature for approval;
- i) Review Departmental personnel policies and make appropriate changes in compliance with Civil Service Commission by-laws;
- j) Have the Director review all annual audits of all personnel employed by the department;

- k) Establish and update programs for the construction, renovation and maintenance of all educational buildings and facilities in order to meet the demands of the educational system;
- l) Establish and submit to the Legislature the annual school calendar, that includes the instructional days, teacher workdays and other educational activities;
- m) Establish pilot year school programs to determine the feasibility of implementing a program on an island-wide basis,
- n) Establish special funds, which are derived from school fund raising activities and approved by school administration.

To ensure the Department of Education is in compliance with the statutes mandated under P.L. 15 -- 56 and P.L. 22-42, an audit was requested by the Director of the Department of Education. The focal areas requested in the audit are comprised of the following:

- I. Non-Appropriated Funds
- II. Interscholastic Sports Funds
- III. Lost Textbook Funds

I. Non-Appropriated Funds

The non-appropriated student activity funds were established by Public Law 14-130 to regulate student activities money and for other purposes. The regulations are as follows:

1. Section 11413 Student Activities Money

Student activities money is all money raised with the approval of the Board by the efforts of the student, in connection with any activities of student organizations, including without limiting the generality of the foregoing, school supply, stores, clubs, athletic activities, school plays, commissions from vending machines and other student entertainment and yearbooks.

2. Section 11414 Committee

(a) There shall be established a Student Activities Money Committee within each school which shall oversee the receipts and expenditures of the student activities money and shall make final approval of all expenditures in excess of One Hundred Dollars (\$100) from the Student Activities Fund.

(b) Membership on the Student Activities Money Committee shall be the following:

- (1) Principal of the school serving as Chairman;
- (2) One faculty staff member designated by the school faculty, and

(3) Student body president, student body treasurer, or a student body member.

3. Section 11415 Student Activities Fund

The Student Activities Money Committee of any school having student activities money shall open a checking account and/or savings account in a commercial bank or savings and loan association on Guam in an account designated as the school student activities fund of the school opening the account.

4. Section 11416 Student Activities Treasurer, Audit.

(a) The Student Activities Money Committee of any school having student activities money shall appoint a student activities treasurer of that particular school. Each student activities treasurer shall be bonded in accordance with standard government of Guam procedures.

(b) Any student organization that raises money shall promptly deliver such money to the student activities treasurer who shall, forthwith, give that student activity a receipt therefore, and promptly deposit the money in the Student Activities Fund of such school. Disbursements from the Student Activities Fund shall be made only for the purpose for which the fund was established or other purposes which the student organization raising the fund may determine. All expenditures of student activities money shall be for the enhancement of student educational or social welfare as approved by regulations of the student organization and approved by the Board. Disbursements of funds shall be made by the student activities treasurer as requested in writing by the student organization advisor and treasurer. The student activities treasurer and the principal of the school shall sign all withdrawals drawn against the Student Activities Fund, provided that no checks or withdrawals may be drawn against the Student Activity Fund without disbursement request signed by the student organization advisor and treasurer.

(c) The student activity treasurer shall maintain accounts showing the balances due respective student organizations and shall maintain an accurate record of all deposits and expenditures from the Student Activities Fund and shall prepare a monthly financial statement report. Copies of this report shall be given to the Director of Education, principal and student activities sponsor. The records of the student activities treasurer shall be open to inspection at reasonable times by faculty advisors and officers of the student organizations concerned. Such records shall be maintained by the student activity treasurer in accordance with such rules and regulations as may be established by the Board of Education.

(d) Each student activity fund shall be audited as often as required and at least annually by the Bureau of Budget and Management Research in cooperation with the Department of Education Fiscal Office and a copy of the audit shall be filed with the Student Activities Money Committee and the Board.

OBJECTIVE AND SCOPE

The objectives of our audit were to determine (1) the propriety of handling non-appropriated student activities funds, (2) the adequacy of internal control and record management; and (3) compliance with applicable statutes and regulations under Public Law 14-130 and established Board Policy

We reviewed the department's mission, organization, operational policies and procedures and record management for school years 1998 and 1999

Our work was performed from the period of April of 1998 to January 1999 in accordance with generally accepted government auditing standards. Accordingly, we included such test of records, and other auditing procedures that were considered necessary under the circumstances

Our fieldwork was performed at the Department of Education's business office and at twenty-five elementary schools, seven middle schools and four high schools

PRIOR AUDIT COVERAGE

The Public Auditor has issued no prior audit reports on DOE. The Bureau of Budget and Management Research's (BBMR) Internal Audit Division has been issuing audit reports on non-appropriated funds. However, those audits were performed on a select number of schools and did not cover the entire educational system throughout the years.

NON-APPROPRIATED STUDENT ACTIVITY HANDBOOK

UPDATE NON-APPROPRIATED FUNDS POLICIES AND PROCEDURES

The student activity handbook was established and issued in June of 1988 and was officially approved by the Board of Education. As of school year 1999, the student activity handbook has remained unchanged. As a result, the handbook does not reflect current policies and procedures changes mandated under P.L. 14-130 which were issued on June 17, 1988. Through our audit, the following inconsistencies were revealed:

1. Based on audit interviews with school treasurers, there is a prevalent claim that the NAF handbook is confusing. School administrators have requested to have the handbook simplified.
2. We noted that during our audit interviews and material source referencing, many reproduced handbooks issued by DOE business office had missing pages. Therefore, school treasurers may have lacked necessary documents and guidance to complete their accounting records.

FINDINGS AND RECOMMENDATIONS

The Department of Education (DOE) is responsible for regulating the non-appropriated funds and ensuring that student funds are properly accounted for. For the department to achieve this, it is important that it comply with the Non-Appropriated Funds Policies and Procedures under Public Law 14-130. In this section we examined the managerial operations of the department to determine whether it has accomplished its defined goals and objectives.

SUMMARY OF FINDINGS

The Department of Education is responsible for delivering the overall educational system on the island. The responsibility is a tremendous undertaking with over thirty-two elementary and secondary schools requiring direction and leadership. With the highest recorded expenditures in the entire Government of Guam operations, it is incumbent on DOE to provide leadership needed to implement sound management and business practices.

The objective of the audit was to determine if the department is in compliance with the applicable statutes and regulations under Public Law 14-130 and established policy. Based on procedures performed in the audit, the following is a summary of the findings revealed:

- 1 Under Section 11414 of PL 14-130 regarding student activities money committee, we found the following schools failed to comply with this regulation: Agana Heights, L.B. Johnson, M.U. Lujan, P.C. Lujan, Price, C.L. Taitano, Talofofu, Tamuning, Mt. Santa Rosa, Dededo, Agueda Johnson, Southern High, Simon Sanchez and George Washington. The money committees of these schools did not review receipts and expenditures of any NAF transactions. They were inconsistent in evaluating expenditures in excess of one hundred dollars (\$100) from the Student Activities Fund.
- 2 Section 11416 subsection A requires that, "school treasurer shall be bonded." According to DOE Deputy comptroller, this procedure has never been a standard practice at all.
- 3 Section 11416, subsection B, requires that "student organizations that raises such money shall deliver it to the student activities treasurer who shall, forthwith, give that student activity a receipt." In our analysis schools such as Agana Heights, Talofofu, Dededo, Agueda Johnson, Southern High, Mt. Santa Rosa, M.A. Ulloa, UPI, Simon Sanchez, George Washington, failed to comply with this section. These schools that failed to reconcile in a fairly consistent manner disclosed that school treasurer did not issue receipts for monies received.
- 4 Section 11416, subsection C requires that "the treasurer shall maintain accounts showing the balances due, shall maintain accurate records, prepare monthly

financial statement report and copies be given to Director of Education." Based upon a statement made by the financial administrator all NAF responses and reports from all schools are handled by business office in which she, herself reviews and conducts snapshot NAF audits. The results were that, schools such as Southern High, GW High, Simon Sanchez, and Dededo Middle school failed to submit copies of the monthly NAF report. We took note of this during our audit, and our test disclosed that schools listed did not reconcile NAF records or submit any financial report. Therefore the schools failed to comply with Section 11416 subsection C of PL. 14-130.

- 5 Schools, such as P.C. Lujan and C.L. Taitano, implementing the DEED program have commingled program funds (federal monies) with DOE's non-appropriated student activity funds.
- 6 The Department of Education is not providing the adequate training needed to school administrators and personnel handling the NAF program to meet and satisfy the requirements of Non-Appropriated Student Activity Funds. Upon our observation of the NAF training classes, we noted that the financial administrator failed to, a) explain in detail the importance of the NAF handbook, and b) cite examples in order to give a clearer picture of what documents to use. Lastly, the session c) did not explain the impact of failures to comply with regulations.

Recommendations:

As a result of the audit, the Office of the Public Auditor recommends the following.

- 1 Under Section 11414 of PL. 14-130, all money committees for each school must actively participate in all NAF programs by reviewing receipts and validating expenditures to insure accountability and reasonableness within the program.
- 2 Under Section 11416 section A in regards to bonding, we asked the Deputy Comptroller to explain why the bonding procedures are not implemented within the system. Secondly, DOE should take action to effect bonding and to ensure the safety of school treasurers, administrators and other support staff who share responsibilities to account for NAF program itself.
- 3 Under Section 11416 section B all NAF programs receiving monies must issue receipts consistently in order to insure monies are documented and deposited in compliance with the board policy.
- 4 Under Section 11416 section C, treasurer must maintain reasonable accounting records for each NAF account and submit monthly reports to DOE business office.
- 5 Insure that school treasurer not commingle NAF funds with DEED monies by having the principal review all NAF and DEED programs separately.

6. In each training session the instructor for the program must carefully explain the importance of each NAF policy and procedure in detail from the handbook. Secondly, the instructor must cite example or examples in order to give a clearer understanding of the program itself.
7. DOE should conduct a survey to address the needs of the school treasurers in regards to Non-Appropriated Funds and assess its handbook of policies and procedures.

INTERNAL CONTROL SYSTEM

RE - ESTABLISHMENT OF THE INTERNAL CONTROL SYSTEM

An objective of our review was to determine if the system of internal accounting and administrative control used by the Department of Education provides a reasonable assurance that such a system would safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed management policies.

Accordingly, we have reviewed the internal accounting and administrative control, and examined the procedures that are relevant to the Non-Appropriated Student Activities Fund.

Through our audit, we noted that the Department of Education lacked internal control in handling the Non-Appropriated Student Activity Funds. From our tests of transactions from each of the schools audited, the following findings are disclosed:

1. The total reconciled non-appropriated funds segregated by elementary, middle and high schools are as follows:

SCHOOL	Bank Statement Balance	Date As of	Book Balance	Date as of	Difference
<u>Elementary Schools</u>					
Astumbo	\$2,733.88	1/99	2,495.16	1/99	238.72
Chief Brodie	\$11,449.95	1/99	10,877.60	1/99	572.35
Carbullido	\$9,290.40	1/99	9,230.69	1/99	59.71
Finegayan	\$35,546.65	1/99	35,245.74	1/99	300.91
Harmon Loop	\$15,699.71	1/99	\$15,699.71	1/99	0.00
Inarajan	\$6,714.84	1/99	\$6,714.84	1/99	0.00
L.B. Johnson	\$6,312.50	1/99	6,647.77	1/99	-335.27

M.U. Lujan	\$9,337.75	1/99	7,892.78	1/99	1,444.97
Merizo / F.Q. Sanchez	\$1,419.98	2/99	\$1,419.98	2/99	0.00
Ordot / Chalan Pago	\$26,108.02	1/99	25,400.22	1/99	707.80
Price	\$39,853.69	1/99	37,084.97	1/99	2,768.72
Marcial Sablan	\$2,163.40	1/99	2,156.40	1/99	7.00
J.Q. San Miguel	16448.31	1/99	16,585.83	1/99	-137.52
C. L. Taitano	\$10,007.86	1/99	7,995.96	1/99	2,011.90
Tamuning	\$11,928.83	1/99	\$11,928.83	1/99	0.00
J.P. Torres	\$5,004.02	1/99	\$5,004.02	1/99	0.00
H.S. Truman	\$8,218.52	1/99	8,122.04	1/99	96.48
Wettengel	\$5,924.95	1/99	\$5,924.95	1/99	0.00
Yigo	<u>\$8,917.40</u>	1/99	<u>\$8,917.40</u>	1/99	<u>0.00</u>
Total NAF for Elementary Schools	<u>\$233,080.66</u>		<u>\$225,344.89</u>		<u>\$7,735.77</u>
<u>MIDDLE SCHOOLS</u>					
Inarajan Middle	\$26,463.21	1/99	\$26,463.21	1/99	0.00
F.B. Leon Guerrero	\$87,050.73	1/99	\$87,050.73	1/99	0.00
Oceanview	\$19,595.07	1/99	\$19,595.07	1/99	0.00
Piti Middle	\$26,772.86	1/99	\$26,772.86	1/99	0.00
L.P. Untalan	<u>\$34,971.39</u>	1/99	<u>\$34,971.39</u>	1/99	<u>0.00</u>
Total NAF for Middle Schools	<u>\$194,853.26</u>		<u>\$194,853.26</u>		<u>0.00</u>
<u>HIGH SCHOOLS</u>					
John F. Kennedy	\$249,195.04	1/99	\$249,195.04	1/99	0.00
Total NAF for High Schools	<u>\$249,195.04</u>		<u>\$249,195.04</u>		<u>0.00</u>
GRAND TOTAL	<u>\$677,128.96</u>		<u>\$669,393.19</u>		<u>\$7,735.77</u>

2 We noted that there were schools that were not current in their reconciliation. They are as follows,

SCHOOL	Bank Statement Balance	Date As of	Book Balance	Last Date Reconciled	Difference
Agana Heights	\$23,945.10	1/11/99	9,076.82	9/98	14,868.28
Talofoto	\$9,849.27	1/29/99	9,434.40	6/30/98	414.87
Dededo	\$43,823.74	1/30/99	\$24,599.88	5/23/98	19,223.86
Agueda Johnson	\$51,187.87	1/30/99	44,235.76	9/30/98	6,952.11
Southern High	<u>\$89,478.97</u>	1/30/99	<u>\$41,117.45</u>	7/31/98	<u>\$48,361.52</u>
Subtotal	\$218,284.95		\$128,464.31		\$89,820.64

3. We noted that there were schools that failed to reconcile for a period of one year. The following were,

SCHOOL	Bank Statement Balance	Date As of	Book Balance	Last Date Reconciled	Difference
Mt. Santa Rosa	\$777.05	1/99	0.00		777.05
M.A. Ulloa	\$57,743.08	1/99	0.00		57,743.08
UPI	\$11,917.80	1/99	0.00		11,917.80
Simon Sanchez	\$115,538.84	1/99	0.00		115,538.84
George Washington	<u>\$154,682.45</u>	1/99	<u>0.00</u>		<u>154,682.45</u>
Subtotal	\$340,659.22		0.00		\$340,659.22

4 From the total number of schools audited, the following schools revealed potential loss of monies

Elementary Schools

- a) PC Lujan - Despite an existing bank statement balance, there was no accepted standard of accountability found. Official receipts for funds document the monies received, however, there are no records to determine if deposits were made or recorded in the ledgers in the last two years. The school administrator has requested assistance from Guam Police Department for further investigation. The case is still pending.

SCHOOL	Bank Statement Balance	Date As of	Book Balance	Last Date Reconciled	Question Cost
P.C. Lujan	\$7,196.82	1/31/99	2,724.04	10/98	4,472.78

- b) **CL Taitano** - A financial audit conducted by the DOE business office disclosed monies misused for personal payments of an individual's power bills and other personal expenses approximating \$6,000. No action by DOE has been made to recover the monies inappropriately used. Although, the DOE audit acknowledged the problems encountered with the school treasurer, the audit, however, failed to disclose any findings with reference to the administrator's role/responsibility in the matter. Under Non-Appropriated Student Activity policies and procedures school administrators have ultimate responsibility for managing the program.
- c) **M.A. Uloa** - Upon our interview with the school principal, she stated that there is poor accountability with the school's NAF. The main reason is that the school treasurer lacked adequate technical knowledge in the subject of NAF. Therefore, the principal had suspended the NAF recordkeeping until further notice. Also, the school principal made a request to DOE business office to hire a qualified individual to handle the NAF. No formal response was received to address the problem.
- d) **Yigo Elementary** - Despite an existing balance, the school had never properly reconciled in previous years. Their procedure was to simply close the old account and open a new one. The end result was that monies in the amount of approximately \$12,000, as identified by the school, are still unaccounted for. Based upon the school principal's response, the matter was brought to the attention of the business office. Currently, the matter is still pending. The principal made a follow up, but no action was taken to recover the money. As of January 1999 OPA inquired of DOE's business office and its legal counsel to determine the status of missing monies. They responded that they were not aware of the situation.

Middle schools

- a) **Dededo Middle School** - We noted that the school did not reconcile from May of 1998 to January 1999. The results were \$27,456.37 worth of cash receipts and collections as identified by the audit procedures not recorded in the ledgers and not filed in the proper NAF folders. Secondly, the school overspent NAF monies thus resulting in deficit balances for the Tourism account in the amount of \$5,694.06 and the yearbook program in the amount of \$2,833.40. Our observation also disclosed that the school had a very poor internal control system. Access was open to personnel files and non-governmental files, blank checks, and all NAF activity ledgers. There was no security system administered for this program. Lastly, the school principal did not approve the NAF financial report for January 1999.

High Schools

- a) **George Washington High School** - The school has not reconciled their accounting records since school year 1995. The NAF program has never been audited. Therefore, OPA independently assisted the school treasurer in reconciling the account. Based on this effort, it was disclosed that an approximate amount of \$47,947.34 of receipts for cash and check collections were not consistent with actual deposits.
- b) **Simon Sanchez High School** - For Simon Sanchez High School, we noted the following

Finding 1. The school has not accounted for the NAF program since school year 1996. OPA independently assisted the school treasurer in reconciling the program. Based upon the results, it was disclosed that a total of approximately \$103,856.99 of cash and check collections was not deposited properly on time.

Finding 2. Between April 29, 1996 to June 20, 1996, there were ninety (90) checks totaling \$17,744.89 that were returned for insufficient funds. School management indicated that these high volumes of insufficient checks were not brought to their attention.

Finding 3. NAF checks unaccounted for. There were a total of 263 NAF checks unaccounted for during April 6, 1995 to April 20, 1999. Out of the 263 checks, 232 were regular checks, 18 were voided checks and 13 were temporary checks.

5. Many of the schools' non-appropriated funds are not properly being reconciled. The following is a list of schools that have not reconciled their student activity accounts. They are

I	<u>Elementary schools:</u>	<u>Last Date Reconciled</u>
a)	Agana Heights	9/98
b)	P.C Lujan	10/98
c)	C.I. Taitano	1/99*
d)	Talofofu	9/98

* schedules did not reflect the actual accounts balances.

II	<u>Middle Schools:</u>	<u>Last Date Reconciled</u>
a)	Dededo	5/98
b)	Agueda Johnson	9/98

III	<u>High Schools:</u>	
	a) Southern High	4/98
	b) George Washington	10/96
	c) Simon Sanchez	9/92

Recommendation:

Resulting from the audit, the OPA recommends to DOE's Director and comptroller the following:

1. Update NAF policies and procedures
2. Establish a written policy on internal controls regulating the Non-Appropriated Student Activity Funds
3. For the schools that are late in reconciling, the Director should require an explanation for the delay in reconciling and require schools to update their accounting records.
4. For the schools that have failed to reconcile at all, an explanation should be provided for this finding. Secondly, the Director should take immediate action to have the comptroller promptly address this matter and determine the true financial picture for each of these school problems
5. The DOE business office take part in reviewing the NAF records in a consistent manner.
6. DOE business office should scrutinize schools that have questioned costs on the NAF Programs to insure monies are fully accounted for

PERFORMANCE OF AUDITS

LACK OF PERFORMANCE OF AUDITS

Under the guidelines of handling of the NAF student activities fund, " a financial and compliance audit shall be performed anytime upon the direction of the Assistant Superintendent. Financial Affairs with the approval of the Superintendent of Education " The financial affairs office has stated that they did perform audits for selected schools. However, we noted that standards for their audits did not comply with generally accepted auditing standards

Through our audit, the following findings are disclosed:

- 1 Of thirty-six schools audited by DOE financial affairs, no official audit reports have been issued for school year 1998. Although DOE conducted individual investigations on several of the schools, no official reports have been issued
- 2 According to NAF policies, "the school principal is fully responsible for administering Non-Appropriated funds." The audit performed by DOE business office on Simon Sanchez High School disclosed the school treasurer failed to comply with the NAF policy. No findings or concerns from the school principal were provided and school principal was not held accountable for any discrepancy. OPA has requested a copy of the report but no official report was issued. All that exists is a memo from the financial administrator to the school principal

Recommendations:

Resulting from the above findings, Office of the Public Auditor recommends to the DOE Director and comptroller the following:

- 1 Under the performance of audits, DOE should ascertain and explain why no formal reports were issued despite the financial affairs administrator's indication that they did perform audits.
- 3 Hire staff auditors to perform this necessary function as done previously. The staff auditors then must comply with generally accepted accounting principals and generally accepted auditing standards
- 4 DOE director and comptroller should immediately address irregularities in all schools with questioned costs stated in this audit report where monies were not properly deposited, and checks returned for insufficient funds.

LOST BOOK FUND

BACKGROUND

The Lost Textbook Fund or the Lost Book Fund was established by P.L. 16-85 and took effect on October 1, 1982. The public law basically states that funds received by schools as fines for lost books shall be deposited in the Lost Book Fund. It shall be separate from other funds of the Government. The Board of Education may expend money from the Lost Book Fund to purchase new textbooks and replace old or lost textbooks. The Board shall report to the Legislature no later than June 30 of each year of the total amount of fines collected by the Department and the income and disbursements from the Lost Book Fund.

OBJECTIVE AND SCOPE

The objectives of our audit were to, (1) review, test, and report on the propriety of the handling of Lost Book Funds; (2) review, test and report on the adequacy of internal control and record management and (3) test compliance with Public Law 16-85 and Board Policy.

We reviewed the department's mission, organization, operational policies and procedures and record management for school years 1997 and 1998.

Our work was performed from March 1998 to August 1998 in accordance with generally accepted government auditing standards. Accordingly, we included such test of records, and other auditing procedures that were considered necessary under the circumstances.

Our fieldwork was performed at the Department of Education's business office and at all elementary and secondary schools.

PRIOR AUDIT COVERAGE

The Public Auditor has issued no prior audit reports for this program.

FINDINGS AND RECOMMENDATIONS

The Department of Education (DOE) is responsible for regulating the Lost Book Funds and ensuring that said funds are properly documented and spent. DOE must be in compliance with Public Law 16-85 on Lost Textbook Funds policies and procedures. In this section we examined the management of the department on whether it has accomplished its defined goals and objectives.

SUMMARY OF FINDINGS

Based upon our audit of the test of transactions, observations and interviews, the following findings are disclosed.

- 1) The Department of Education did not have any formal internal control policy and procedure to comply with for lost textbook funds. The only procedure in place was the accounting for cash and field receipts.
- 2) Our test disclosed that school field receipts did not have written revenue account numbers to reference the lost book account. School lunch monies are submitted to the business office together with lost book collections. The potential exists for DOE business office staff to commingle lost book collections as school lunch monies
- 3) While DOE business office did reconcile school lunch program accounts and lost textbook accounts, the end results may have been a potential misstatement of revenues for the school lunch program and for the lost book account
- 4) Based upon our review, Piti Middle School is the only school found that segregated the monies for lost book funds and school lunch monies

RECOMMENDATIONS:

As a result of the audit, Office of the Public Auditor recommends to the Director and Deputy Comptroller the following.

- 1 DOE establish written policies and procedures for handling cash transactions for Lost Book Funds
- 2 Have school principals and school treasurer verify all depository cash collections in order to prevent commingling of Lost Book Funds with School Lunch collections.
- 3 DOE business office consistently reconcile all accounting records of Lost Book Cash Collections versus School Lunch Collections

INTERSCHOLASTIC SPORTS FUND

BACKGROUND

The Interscholastic Sports Fund was created by the Guam Interscholastic Athletics Association in August of 1994 and was amended on May 4, 1996. The Guam Interscholastic Athletics Association or GIAA is an organization under Department of Education Secondary Division. It is responsible for implementing the policies and procedures for the DOE interscholastic sports program. However, the overall management and internal controls of the program will be monitored by the Department of Education's business office.

The purposes of this program are as follows:

- 1) To stimulate interest in and support for the development of interscholastic sports events
- 2) To adopt policies formulated by the Board of Control regulating the eligibility of schools participating in interscholastic activities sponsored by GIAA.
- 3) To protect the students and member schools from exploitation by special interest pressure groups
- 4) Foster between individual students and member schools pride in academic achievement as a foundation for a well-balanced activity program

OBJECTIVE AND SCOPE

The objectives of our audit were to: (1) review, test, and report on the propriety of handling Interscholastic Sports Funds; (2) review, test and report on the adequacy of internal control and record management and (3) test compliance with the Guam Interscholastic Athletics Association policies and procedures

We reviewed the program's mission, its organization, operational policies and procedures and record management for school year 1998.

Our work was performed from March 1998 to August 1998 in accordance with generally accepted government auditing standards. Accordingly, we included such test of records, and other auditing procedures that were considered necessary under the circumstances.

Our fieldwork was performed at the Department of Education's business office, at all secondary schools, and the interscholastic sports office.

PRIOR AUDIT COVERAGE

The Public Auditor has issued no prior audit reports for this particular program.

FINDINGS AND RECOMMENDATIONS

The Department of Education (DOE) is responsible for regulating the Interscholastic Sports Funds and ensuring that the said funds are properly documented and spent. DOE must be in compliance with Title 17 of the Guam Code Annotated under the Interscholastic Sports Fund Funds policies and procedures. In this section we have examined the sports program and its overall operations to determine whether the program itself has accomplished its defined goals and objectives.

SUMMARY OF FINDINGS

Based upon our test of transactions, observations and interviews, we noted that the program had only general policies and procedures. Our observations and tests were to determine whether the department accomplished its defined goals and objectives efficiently and effectively on DOE's management system.

The results were as follows:

- 1) The Interscholastic Sports Program (ISP) did not have any written internal control policy and procedure. The source document used is the GIAA constitution and by-laws.
- 2) Participants of the sports program such as head coaches, assistant coaches and sports trainers are being paid by contractual stipends without proper supporting documents such as time sheets in order to justify their work performance.
- 3) Under the basic contractual statutes and by-laws, all employment contracts from the ISP must be approved by the Sports Program Coordinator (SPC). However, we noted that not all contracts were verified properly and authorized. Yet ISP personnel were allowed to be paid.
- 4) Stipend contracts are not uniform. Most of the high schools have designed their contract format without the approval of the ISP Coordinator and the Director of Education.
- 5) SPC lacked proper accountability of cash collections in the Tiyan Gym. The Sports facility does not have an accounting system to account for cash collections. Also due to lack of security system, monies were stolen at numerous times from the cash register.

- 6) Minutes of meetings from the Interscholastic Sports Program are not fully documented. We noted that tapes of minutes of meetings were missing. The ISP Coordinator could not disclose the status of the tapes of the meetings simply because they are missing. Also the ISP Coordinator does not document the meetings in a transcript form.
- 7) There is a lack of communication between the ISP Coordinator and school administrators. Proper communication is necessary in order for all parties to keep abreast with current policy.

RECOMMENDATIONS:

Based on the results of the audit, OPA recommends to the Director, comptroller and Interscholastic Sports Coordinator the following.

1. Establish written policies and procedures for the Interscholastic Sports Program in order to have accountability in their internal control system.
2. Establish a comprehensive system of accountability for assigned personnel to justify stipend payments to include time sheets with supervisory acknowledgement, and specifics of work activity.
3. Have the Athletic Director and school principal (in that manner) sign all contractual obligations in order to validate contracts and propriety of stipend payments.
4. Establish proper preservation practice of minutes of meetings, official records, including transcripts, and tape records in order to provide a record of all issues discussed and decisions made.
5. Properly initiate communication to all school administrators and interested parties in order for all concerned participants be aware of any changes or new events within the program itself.
6. Have DOE business office account for all cash transactions made from the Interscholastic Sports Program.

RESPONSE OF THE AFFECTED AGENCY

Despite being given several opportunities for response to initial draft audit, as is OPA's general audit practice, the Department of Education did not respond to the draft report with the exception of George Washington High School who had submitted their audit responses indicating corrective action to be implemented in addressing the auditor's recommendations.



OFFICE OF THE PUBLIC AUDITOR
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 GOVERNMENT OF GUAM
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 (671) 475-0393/0394/0395 - FAX: (671) 472-7951

ROBERT G.P. CRUZ
 PUBLIC AUDITOR



Mr. Roland L.G. Taimanglo
 Director
 Department of Education
 P. O. Box DE
 Agana, Guam

Subject Management Audit of Interscholastic Sports Program;
 Student (Non-Appropriated) Funds; and etc..

Dear Mr. Taimanglo:

In accordance with Public Law 21-122 creating this Office, we will be conducting a management audit of the Department of Education, particularly the Interscholastic Sports Program and non-appropriated fund activities. Our auditors, Mario Y. Galang and Ernesto C. Sales will be calling on you for a preliminary conference regarding the requirement of the audit and prepare for the field work. We will also take suggestions for other areas to be audited.

In conjunction with the review, the following will be needed:

1. Policies and procedures for the operation of all interscholastic sports and student fund activities.
2. Listing of authorized non-appropriated fund activities and their locations. (interscholastic sports and student funds)
3. Listing of Custodians of non-appropriated funds.
4. Documents and records for the different funds.
5. Financial status reports of the different funds.

Our call to your agency will be on May 27, 1997 at 10:00 am. If this date and time are not convenient, please let me know and we will reschedule the visit.

Your assistance in this regard will be greatly appreciated.

Sincerely,

Robert G. P. Cruz
 ROBERT G. P. CRUZ

*Mr. Taimanglo
 Director
 DOE, Agana*



DEPARTMENT OF EDUCATION

P.O. Box DE
Agaña, Guam 96932
Tel: (671) 475-8457
Fax: (671) 472-5003



Roland L.G. Taimanglo
Director of Education

Aline A. Yamasuta, Ph.D.
Deputy Director of Education

May 06, 1998

Memorandum

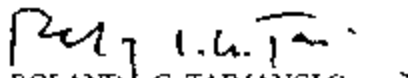
To: All School Principals
From: Director of Education
Subject: Compliance Audit
Re: Student Activity Fund

This is to inform you that Mr. Aristedes (A) Erguiza, Auditor III from the Office Of The Public Auditor will be visiting schools starting next week to conduct compliance audits on the Non-Appropriated Student Activity Funds.

It is requested that all documents pertaining to this activity are made available to Mr. Erguiza.

Please give your full support and cooperation to Mr. Erguiza.

Thank you


ROLAND L.G. TAIMANGLO

cc. Mr. Erguiza

COMMONWEALTH NOW!





DEPARTMENT OF EDUCATION

P.O. Box DE
Agaña, Guam 96932
Tel: (671) 475-0457
Fax: (671) 472-5093



JUL 01 1998

MEMORANDUM

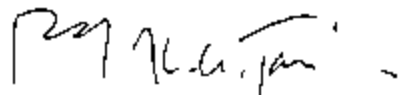
To: All School Principals

From: Director

Subject: Compliance Audit of Non-Appropriated and Lost Textbook Funds

The Office of the Public Auditor is currently conducting audits of the above subject funds. Mr. Al Erguiza of the Office of the Public Auditor will be contacting your school in the near future in an effort to obtain all necessary information.

I ask that you please extend your utmost cooperation to Mr. Erguiza. Mr. Erguiza will be periodically communicating the progress of the audits with my office.


ROLAND L.G. TAIMANGLO





**OFFICE OF THE PUBLIC AUDITOR
UFISINAN I ADITOT PUPBLEKO
GOVERNMENT OF GUAM**

P.O. BOX 23667, GMF, Barrigada, Guam 96921
(1208 East Sunset Boulevard, Tiyan)
(671) 475-0393/0394/0395 - FAX: (671) 472-7951
March 10, 1999

ROBERT G.P. CRUZ
PUBLIC AUDITOR

Mr. Roland Taimanglo, Director,
Department of Education
P.O. Box DE
Agana, Guam 96932

Re: Department of Education
Audit of Non-Appropriated Funds

Dear Mr. Taimanglo:

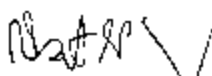
Last year 1998, our office began an audit of the Department of Education which covered three areas including: 1) fund balances for non-appropriated funds, 2) Interscholastic School Program and 3) the Lost Textbook program. To complete the audit, additional field work is necessary, especially in the area of the Non-Appropriated Funds where material dollar impact exists.

Therefore, we are requesting your assistance once again and that our staff auditor, Mr. Al Erguiza, will continue his audit tests. Our tentative schedule is to begin the additional work at the schools beginning March 15, 1999.

If you have any further questions, please call me at 475-0394 or Al Erguiza at 475-0390

Thank you for your continuing cooperation.

Sincerely,


Robert G.P. Cruz
Public Auditor



DEPARTMENT OF EDUCATION

P.O. Box DE
Agaña, Guam 96932
Tel: (671) 475-0457
Fax: (671) 472-5003



Roland L.G. Taimanglo
Director of Education

Alice A. Yamashita, Ph.D.
Deputy Director of Education

March 23, 1999

Memorandum

To: All School Principals
From: Director of Education
Subject: Audit of Non-Appropriated Funds

Please be advised that beginning Wednesday, March 24, 1999 Mr. Al Eriquiza, Senior Auditor III from the Office of the Public Auditor will be conducting an audit on the Non-Appropriated Funds at your school

Please have all the records on the Non-Appropriated Funds available for Mr. Eriquiza

It is requested that your full cooperation and support be given to Mr. Eriquiza.

If you have any question(s), please contact Ms. Herbie A. Perez at 475-0463.

Thank you.

~~ROLAND L.G. TAIMANGLO~~

Michael J. Ridley

cc: ~~Deputy Director~~
Associate Superintendent, Secondary
Associate Superintendent, Elementary
Administrator, Financial Affairs
Mr. Al Eriquiza, Senior Auditor III



8:20 pm



OFFICE OF THE PUBLIC AUDITOR
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(671) 475-0393/0394/0395 - FAX: (671) 472-7951

ROBERT G.P. CRUZ
PUBLIC AUDITOR

August 27, 1999

*Reidy k...
sent...
10/6/99*



Mr. Michael Reidy
Director of Education
Department of Education
P.O. Box 2950
Agana, Guam 96910

Dear Mr. Reidy:

We have conducted an audit of the Department of Education on the following areas; a) Non-Appropriated Funds, b) Interscholastic Sports Funds, and c) Lost Textbook Funds. A copy of our draft is provided for your review and comment. We request that you respond to each finding. In each of the responses, please indicate your concurrence or non-concurrence. If you concur with the finding, please state what steps are being taken to rectify the problem, and to provide a time frame for completion. If you do not concur with the finding, briefly explain your position. We would appreciate receiving your response by September 17, 1999 so that we can issue the final report.

Sincerely,

*2:30 pm 10/6/99
Med. fr. DDE called
stating John lost
his copy. Have
provided one
for*

Robert G.P. Cruz
Robert G.P. Cruz



FINANCIAL AFFAIRS DIVISION
DEPARTMENT OF EDUCATION

Manuel F.L. Guerrero / Administration Building
2nd. Floor, Suite B-203
Hagatna, Guam 96932
Telephone: (671) 475-0416 /420/424
Fax: (671) 472-5009



Michael J. Reilly
Director of Education

John P. DeNorcey
Comptroller, Acting

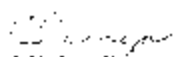
October 27, 1999

Mr. Eloy Lizama
Chief Auditor
Office of the Public Auditor
P.O. Box 23667
GMF, Barrigada 96921

Dear Mr. Lizama:

I've received your draft findings (dated August 27, 1999) on the audit you conducted on Non-appropriated Funds, the Interscholastic Sports Fund and the Lost Textbook Funds. Your letter indicated that our response was due by September 15, however, we weren't able to meet this deadline. Therefore I am requesting for an extension of this deadline to December 17, 1999 since additional time is needed to obtain the necessary information from all the schools involved. Your kind consideration on this matter is greatly appreciated.

Sincerely,


Vicky Quenga
Asst. Administrator, Financial Affairs



OFFICE OF THE PUBLIC AUDITOR
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BERT G.P. CRUZ
 PUBLIC AUDITOR

ACKNOWLEDGMENT RECEIPT

DOCUMENT/ITEM: REQUEST FOR EXTENSION FOR DOE AUDIT RESPONSE

TO: DOE, DIRECTOR FROM: OFFICE OF THE PUBLIC AUDITOR

RECEIVED BY: *[Signature]* DATE/TIME: 9:11

PRINT: *Rosa San Agustin* TITLE: *Clerk*

REMARKS:
 FOR YOUR DEPARTMENT RESPONSE.





OFFICE OF THE PUBLIC AUDITOR
UFISINAN I ADITOT PUPBLEKO
GOVERNMENT OF GUAM
P.O. BOX 23667, GMF, Barrigada, Guam 96921
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(671) 475-0393/0394/0395 - FAX: (671) 472-7951

October 28, 1999

Mr. Michael Reidy
Director, Department of Education
M.F.L. Guerrero Administration Building
Hagatna, Guam 96932

Dear Mr. Reidy:

Attached is a letter from your Department's Assistant Administrator of Financial Affairs. The letter requests for an extension for your Department's formal response to our draft audit report on Non-Appropriated Funds, Lost Textbook Funds and the Interscholastic Sports Fund.

As you are aware the draft audit report was originally transmitted to your office on August 27, 1999. The transmittal letter provided for a deadline of September 27, 1999 for your Department's submittal of a response. Considering the amount of time that the draft has been in the possession of the Department, we feel that the request to extend the deadline for response to December 17, 1999 is not merited. However, we will extend the deadline for your department's formal response to November 18, 1999. No further extensions will be provided unless your office provides sufficient justification.

Should you have any questions regarding the letter, please do not hesitate to contact my office.

Sincerely,


Frances J. Balajadia
Acting Public Auditor



OFFICE OF THE PUBLIC AUDITOR
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 P.O. BOX 23667, GMF, Barrigada, Guam 96921
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December 16, 1999

Mr. Michael J. Reidy
 Department of Education
 P O. Box DE
 Agana, Guam 96932

Dear Mr. Reidy:

The Office of the Public Auditor is rather displeased with the Department of Education's decision to release the findings of DOI draft audit report to KUAM.

As you are aware the audit report is still in its draft form, therefore, the report should not be released to the media until your department response to the draft audit findings. Upon submission of your response, your department and our office will have the opportunity to review each audit findings, and we will then finalize and release the audit report in its final form to your department. Only at that time such information will be made available to the public. As of yesterday December 15, 1999, our office has not received any reply despite reasonable granted extensions per your department's request.

The Office of the Public Auditor respects the legal confidentiality of this information regarding the Islands educational system and does not publicly release them when legal restrictions prohibit such release

Your department's action was rather unprofessional to say the least and which could ultimately affect the work that has been achieved thus far. In the future, I advise that any audit performed on behalf of the Department of Education by this office that the line of communication be established.

We are willing to discuss this matter at length and would like to finalize the report as soon as possible

Sincerely,

Frances J. Balajadia
 Frances J. Balajadia
 Acting Public Auditor



George Washington High School

PO BOX 24147
GME, GUAM 96921

PHONE (671)
734-2011/2212/2911-14
FAX (671) 734-8071
EMail: gwlib@ifitech.net



January 13, 2000

To: Director of Education
Via: GWHS Principal *pk*
From: GWHS Assistant Principal, Business
Subject: School response to Non-appropriated Funds Audit Report

A draft audit of George Washington High School's (GWHS) Non-appropriated Funds (NAF) was completed in July 1999. The Office of the Public Auditor (OPA) conducted the audit. Audit findings were based on a twenty-seven month period commencing on October 1996 and ending on January 1999. The main objective of the audit was to determine (1) the propriety of handling non-appropriated student activities funds; (2) the adequacy of internal control and record management, and (3) compliance with applicable statutes and regulations under Public Law 14-130 (PL 14-130) and established Board Policies administered at GWHS. The following is a response to those findings:

AUDIT FINDING #1.

Under Section 11414 (§11414) of PL 14-130, GWHS failed to comply. It was determined that the money committee of our school did not review receipts and expenditures of any non-appropriated fund transactions. We were also inconsistent in evaluating expenditures in excess of One Hundred Dollars from the student activity fund.

RECOMMENDATION.

Under Section 11414 of PL 14-130, all money committee for each school must actively participate in all NAF programs by reviewing receipts and validating expenditures to insure reasonableness within the program.

RESPONSE:

GWHS concurs. Members of the School Money Committee have been identified and are authorized and approved to review requests for cash disbursements in excess of one hundred dollars for this school year. A training session was conducted in December 1999 to inform the current Committee of their role in the NAF process and to recapitulate their knowledge in identifying legitimate receipts, invoices, sales slips, or price quotations for expenditures in

excess of one hundred dollars

AUDIT FINDING #2:

Under §11416, subsection B of PL 14-130, it states that any organization that raises money shall promptly deliver such money to the student activities treasurer who shall, forthwith, give that student activity a receipt. GWHS failed in this regard. It was also found that our school failed to reconcile in a fairly consistent manner as a result of this.

RECOMMENDATION:

Under §11414, Section B of PL 14-130, all NAF programs receiving monies must issue receipt or receipts consistently in order to insure monies are documented and deposited.

RESPONSE:

GWHS concurs. As of Mid-December. The school treasurer has been issuing receipts for each deposit received from student organizations. A request was given to the Department of Education's (DOE's) Business Office regarding NAF training. GW's Business Office in conjunction with the Student Body Association is conducting a Treasurer's Workshop to inform the various clubs and organizations of the school's standard operating procedures concerning NAF.

AUDIT FINDING #3:

GWHS failed to comply under §11416, Subsection C of PL 14-130. It states that the treasurer shall maintain accounts showing the balance due, shall maintain accurate records, prepare monthly financial statement report and copies be given to Director of Education.

RECOMMENDATION:

Under §11416, Subsection C of PL 14-130, the School Treasurer must maintain reasonable accounting records for each NAF and to submit monthly reports to the DOE's Business Office.

RESPONSE:

GWHS concurs. As of December, efforts were made to reconcile NAF accounts according to the procedures set forth in DOE's Non-appropriated Student Activity Fund Handbook (July 1990). A meeting was held with GW's Business Office staff to discuss the roles of the School Treasurer, Individual Other Than School Treasurer, and an alternate if needed. Required documents were formulated to assist in reconciling accounts in a consistent manner.

AUDIT FINDING #4:

GWHS has not reconciled its accounting records since school year 1995. OPA disclosed that an approximate amount of \$47,947.34 of receipts for cash and check collections were not consistent with the actual deposits.

RECOMMENDATION:

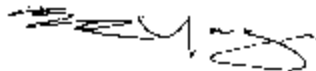
OPA have requested an explanation of the question cost of \$47,947.34.

RESPONSE:

The Administration of GWHS concurs. Because of the materiality of the question cost of

\$47,947.34, our Administration feels that a time line is necessary to continue our research efforts. We will forward a response to the Director of Education and OPA no later than Mid-March addressing the question cost obtain by this audit.

In closing, should you have any concerns regarding this matter, feel free to contact me at 734-2918 or 734-8071 (fax).



Esther Q. Yanger

cc: OPA
DOE Comptroller