

GUAM DEPARTMENT OF EDUCATION

**(A LINE AGENCY OF THE
GOVERNMENT OF GUAM)**

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2015

GUAM DEPARTMENT OF EDUCATION

SINGLE AUDIT REPORTS
Year Ended September 30, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Mr. Jon Fernandez
Superintendent of Education
Guam Department of Education:

Report on Compliance for Each Major Federal Program

We have audited the Guam Department of Education's (GDOE's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GDOE's major federal programs for the year ended September 30, 2015. GDOE's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of GDOE's major federal programs based on our audit of the types of compliance requirements referred to above. 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 GDOE'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 on compliance for each major federal program. However, our audit does not provide a legal determination of GDOE's compliance.

Opinion on Each Major Federal Program

In our opinion, GDOE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

GDOE's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GDOE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of GDOE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GDOE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GDOE's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

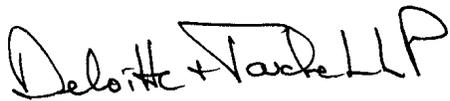
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

GDOE's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. GDOE's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Guam Department of Education as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements. We issued our report thereon dated June 6, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 6, 2016

GUAM DEPARTMENT OF EDUCATION

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:		
Direct:		
National School Lunch Program	10.555	\$ 11,476,800
State Administrative Expenses for Child Nutrition	10.560	350,975
Emergency Food Assistance Program (Administrative Costs)	10.568	3,135
Team Nutrition Grants	10.574	69,780
Child Nutrition Discretionary Grants Limited Availability	10.579	67,038
Fresh Fruit and Vegetables Program	10.582	21,218
Child Nutrition Direct Certification	10.589	<u>210,631</u>
Total U.S. Department of Agriculture		\$ <u>12,199,577</u>
U.S. DEPARTMENT OF DEFENSE:		
Direct:		
Army JROTC	12.000	\$ 365,989
Air Force JROTC	12.000	134,251
Marine JROTC	12.000	<u>121,318</u>
Total U.S. Department of Defense		\$ <u>621,558</u>
U.S. DEPARTMENT OF THE INTERIOR:		
Pass-Through Government of Guam - Department of Administration:		
Economic, Social, and Political Development of the Territories	15.875	\$ <u>9,951,922</u>
Total U.S. Department of the Interior		\$ <u>9,951,922</u>
U.S. DEPARTMENT OF EDUCATION:		
Direct:		
Special Education-Grants to States	84.027	\$ 12,858,432
Impact Aid	84.041	10,881
Special Education-Grants for Infants and Families	84.181	1,381,120
Territories and Freely Associated States Education Grant Program	84.256	1,241,737
Striving Readers	84.371	383,120
Consolidated Grant to the Outlying Areas	84.403	<u>24,148,174</u>
Total U.S. Department of Education		\$ <u>40,023,464</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct:		
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	\$ 4,745
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	219,152
Head Start	93.600	<u>2,502,601</u>
Total U.S. Department of Health and Human Services		<u>2,726,498</u>
Total Federal Awards Expended		\$ <u>65,523,019</u>

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, 2015

1. Scope of Audit:

The Guam Department of Education (GDOE) 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 operations of the Guam Department of Education are included within the scope of the audit.

2. Summary of Significant Accounting Policies:

a. Basis of Accounting:

GDOE is named as the grant recipient on grant awards and is responsible for maintaining the accounting records for federal expenditures. All expenditures 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 GDOE 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 \$500,000 or more in federal awards, the subrecipient separately satisfies the audit requirements of OMB Circular A-133.

3. High-Risk Grantee Status:

GDOE is designated a high-risk grantee by the U.S. Department of Education.

4. CFDA Number 10.555:

Expenditures for CFDA number 10.555 include expenditures for both the National School Lunch Program and the School Breakfast Program, which is listed in the CFDA index as CFDA number 10.553. Only CFDA number 10.555 is presented in the Schedule of Expenditures of Federal Awards as the U.S. Department of Agriculture awarded Child Nutrition Program funds under the one CFDA number in its Grant Award Document.

GUAM DEPARTMENT OF EDUCATION

Reconciliation of Schedule of Expenditures of Federal Awards to
Basic Financial Statements
Year Ended September 30, 2015

	<u>Expenditures</u>
Federal contributions, as reported in the 2015 financial statements:	
Federal Grants Assistance Fund expenditures	\$ 64,901,461
<u>CFDA Program</u>	
12.000 Army JROTC	365,989
12.000 Air Force JROTC	134,251
12.000 Marine JROTC	<u>121,318</u>
Total Federal Expenditures Subject to Audit	\$ <u>65,523,019</u>

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors’ report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|--|------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors’ report issued on compliance for major federal programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major federal programs: | |

<u>CFDA</u> <u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.560	State Administrative Expenses for Child Nutrition
84.027	Special Education-Grants to States
84.371	Striving Readers
84.403	Consolidated Grant to the Outlying Areas
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program

- | | |
|--|-------------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$1,965,690 |
| 11. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

<u>Reference</u> <u>Number</u>	<u>CFDA</u> <u>Number</u>	<u>Finding</u>	<u>Questioned</u> <u>Costs</u>
2015-001	84.403	Procurement and Suspension and Debarment	\$ -
2015-002	93.092	Procurement and Suspension and Debarment	-
		Total Federal Questioned Costs	\$ <u>-</u>

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-001
Federal Agency: U.S. Department of Education
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A120002
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with the Federal Fiscal Year (FFY) 2012 Special Conditions for U.S. Department of Education grants awarded to GDOE for award number S403A120002, the applicable procurement requirements are set forth in 34 CFR 80.36(b)-(j) for grantees other than States. In accordance with applicable procurement requirements, procurement by sealed bids (formal advertising) or by competitive proposals will be used in acquiring services that cost more than the simplified acquisition threshold (\$100,000); procurement by noncompetitive proposals (sole source) may be used only when the item is available only from a single source.

Condition:

For two (or 40%) of 5 transactions tested, aggregating \$1,169,989 of \$6.6 million in total program non-payroll costs, we noted the following:

1. Based on procurement guidance from the grantor, Executive Order 2000-25 was applied to obtain on-island professional training services from an institution of higher education (IHE). Such application resulted in informal procedures to procure services that cost more than \$100,000, which appears to be in conflict with the expected formal procurement methodology for the following:

<u>Purchase Order</u>	<u>Vendor</u>	<u>Amount</u>
20140691	19000	\$135,630

No questioned cost is presented as GDOE sought and applied grantor guidance and also attempted competition by obtaining quotations from the only two IHEs on Guam. However, this condition is reportable due to the differing interpretations of the applicable procurement requirements and fosters the opportunity for clarification regarding procurement transactions subject to future Special Conditions, if any.

2. Sole source procedures were used for the purchase of instructional materials directly from the publisher, with documentation from the vendor that it is the sole publisher and distributor. However, there is no documentation explaining why the selected instructional materials were chosen over any other similar instructional materials available from other publishers.

<u>Purchase Order</u>	<u>Vendor</u>	<u>Amount</u>
20140666	20089	\$692,835

No questioned cost is presented because we determined that books are evaluated by a textbook selection committee, and are aligned with the program's performance standards.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-001, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A120002
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Cause:

For Condition 1, GDOE believed that the application of Executive Order 2000-25 was acceptable to the grantor.

For Condition 2, GDOE Supply Management did not enforce internal control over compliance with applicable procurement requirements.

Effect:

It appears GDOE may be in technical noncompliance with expected procurement requirements.

Recommendation:

GDOE should continue discussions with the grantor regarding applicable procurement requirements under the Special Conditions. The specific guidance and rationale for each procurement decision should be documented at the time of the procurement and retained in the procurement file to clearly substantiate compliance. Also, GDOE should enforce established procurement regulations consistently for all procurements and strengthen internal control procedures to maximize full and open competition.

Auditee Response and Corrective Action Plan:

Condition 1:

GDOE disagrees with the finding, see discussion below.

GDOE relied on Executive Order (EO) 2000-25

For the procurement in review, GDOE maintained in the procurement file a reference to EO 2000-25 for obtaining professional training services from local institutes of higher learning. GDOE utilized this order, which allowed the department to bypass formal competitive procurement procedures. The order states the following first preference for education or training programs: "*Whenever professional consulting, education, or training programs can be obtained through the current instructional resources of the University of Guam or the Guam Community College, all government departments and agencies shall obtain these services through the University of Guam or the Guam Community College.*"

The executive order did not restrict competition, but established a system of preference for education or training programs. The first preference goes to local institutions of higher learning. The second preference goes to on-island resident instructors who are associated with institutions. The third preference is for an off-island site. Hence, if the services were unavailable on-island, an off-island vendor would be considered.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2015

Finding No.: 2015-001, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A120002
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Condition 1, Continued:

US Ed's guidance affirmed the application of EO 2000-25

In 2009, GDOE sought technical assistance and legal guidance from the US Department of Education (US Ed) concerning procurement through the executive order. The guidance, provided by US Ed Office of the General Counsel, specifically confirmed the application of the executive order to be in compliance with Guam's procurement procedures and in adherence to EDGAR §80.36.

"We conclude that this executive order constitutes part of Guam's procurement procedure. Section 80.36 of the Education Department General Administrative Regulations (EDGAR) states that '[w]hen procuring property and services under a grant, a State [including the outlying areas] will follow the same policies and procedures it uses for procurements from its non-Federal funds.' Because the executive order is part of Guam's procurement procedure, if GPSS follows it in procuring professional training services, it will be in compliance with section 80.36 of EDGAR."

During a teleconference on June 24, 2016, the US Ed Office of the General Counsel formally acknowledged the advisement in 2009 which, it was stated, was reaffirmed in 2013.

GDOE's establishment of an inter-agency agreement

In September 2014, GDOE entered into an inter-agency agreement with the University of Guam for professional development services for sheltered instruction observation protocol. The agreement specified: "because GDOE and UOG are both agencies of the Government of Guam, pursuant to a May 22, 2007 Memorandum from the Guam Office of the Attorney General, the acquisition of professional services from UOG is not subject to the procurement process described within the Guam Procurement Law at 5 GCA Chapter 5." This agreement was signed by the legal counsel of both agencies, the Third Party Fiduciary, the Attorney General (AG) of Guam, and the Governor of Guam.

GDOE references AG's guidance

GDOE also relied on the AG guidance on "Government to Government Contractual Services" dated May 2007. Again, this guidance specifically stated "obtaining services from another government entity within the government of Guam would likewise not require procurement. If the government can itself provide the services needed, it need not obtain those services elsewhere."

These documents were maintained in GDOE's procurement record and subsequently provided to Deloitte for review and audit resolution. However, Deloitte contends that stricter federal requirements have been imposed as stated in the special conditions letter in 2013 and require competitive procurement processes. Further, on June 24, 2016, Deloitte indicated that the amount and the timing of this contract, a 3-month agreement for \$135,630, call in to question whether the relationship constitutes an inter-agency agreement.

CFR allows for interagency agreements

GDOE calls to attention Title 34 of the Code of Federal Regulations (CFR) §80.368(5), which states:

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-001, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A120002
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Condition 1, Continued:

*“To foster greater economy and efficiency, grantees and subgrantees are **encouraged** to enter into state and local intergovernmental agreements for procurement or use of common or shared goods and services.”(emphasis added)*

The citation specifically allows for the establishment and the use of intergovernmental agreements, which is consistent and relevant to the procurement in question. The citation does not speak to the dollar threshold amount or timing of a contract.

The auditor’s contention that the term “inter-governmental agreement” holds a different denotative meaning than inter-agency agreements is, we believe, an erroneous interpretation.

Additional affirmation sought

On June 29, 2016, the Attorney General of Guam issued legal guidance in the form of a letter reaffirming that Title 5 of the Guam Code Annotated, Chapter 5 does not apply to contracts between agencies or departments within the government of Guam. Additionally, guidance is being sought from USDOE to determine if, based on the regulations cited in the Special Conditions, whether agreements between GDOE and UOG or GCC require competitive procurement procedures.

In summary, GDOE believes that it is technically in compliance with federal regulations (2013 and 2014 Special Conditions 34 CFR 80.36(b)(5) and 2015 Special Conditions 34 CFR 200.318(e)) which allow intergovernmental agreements outside of the competitive procurement regime. Further, GDOE believes that intergovernmental agreements include interagency agreements such as those between GDOE and UOG or GCC.

Condition 2:

The instructional materials in question were chosen because they were directly aligned with the Common Core State Standards and were packaged as ready-made kits that teachers could use immediately to teach and support students in learning specific skills in Reading, Writing, and Math. These items were included in the budget application description for FFY12 Consolidated Grant Research Proven Strategies for Student Success.

Programmatic personnel conducted on-line searches and reviewed Teacher Created Materials catalogs to determine what materials will meet the grant specifications. The selection was approved by the Program Manager and processed by Procurement and the Third Party Fiduciary Agent (TPFA) as grant specific.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-001, Continued
Federal Agency: U.S. Department of Education
CFDA Program 84.403 Consolidated Grant to the Outlying Areas
Federal Award No.: S403A120002
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan, Continued:

Condition 2, Continued:

GDOE's Supply Management Administrator documented the "request for sole source determination" in a memo to file concluding that this was the only distributor/agent and therefore was in the best interest of the Government of Guam and tax payers to complete procurement as a sole source.

Corrective Action Plan: The Supply Management Administrator will review and amend existing standard operating procedures (SOP's) relative to sole source procurement and make a concerted effort to utilize competitive procurement practices where deemed appropriate. Assigned procurement staff will utilize a procurement checklist to determine the sufficiency of requested sole source procurement and have the Supply Management Administrator document approval before sending to the TPFA for review and disposition.

Plan to Monitor: The Supply Management Administrator has assigned key procurement staff to monitor incoming requisitions and perform additional procedures to limit and/or reduce the utilization of sole source procurement. Additionally Internal Audit will conduct an internal review for compliance with established standard operating procedures.

Officials Responsible: Carmen Taitano, Supply Management Administrator and/or designated Buyer.

Planned Completion Date: On or before September 30, 2016

Auditor Response:

GDOE's response highlights the need for continued discussions with U.S. ED.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-002
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.092 Affordable Care Act (ACA) Personal Responsibility Education Program
Federal Award No.: 90AK0034-03-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee will conduct procurement transactions in a manner providing full and open competition, and will maintain records sufficient to detail the significant history of 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.

In accordance with local procurement regulations, formal competitive sealed bidding procedures apply to services in excess of \$14,999, and sole source procurement is not permissible unless a requirement is available from only a single supplier. A requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item.

Condition:

For one (or 13%) of 8 transactions tested, aggregating \$85,501 of \$92,056 in total program non-payroll costs, the required formal procurement method was not used. Sole source procurement was used in January 2015 for the purchase of instructional workbooks based on the rationale that the vendor was the only distributor/agent. However, the same workbooks were purchased in September 2015, but procured through small purchase procedures, where GDOE obtained three quotations, including from the sole source vendor.

<u>Description</u>	<u>Purchase order</u>	<u>Vendor</u>	<u>Amount</u>
Workbooks	20150197	20435	\$42,805

No questioned cost is presented as GDOE subsequently performed a cost analysis of available publishers which showed that a comparable cost would have been incurred regardless of the publisher selected for this particular project.

Cause:

GDOE Supply Management did not enforce internal control over compliance with applicable procurement requirements. Program personnel did not fully document the research and analyses that were performed prior to selecting one evidence-based program (EBP) curriculum over any other EBP.

Effect:

GDOE may be in noncompliance with applicable procurement regulations.

Recommendation:

GDOE should enforce established procurement regulations consistently for all procurements and strengthen internal control procedures to maximize full and open competition. Furthermore, the analyses and rationale for selecting one publisher over any other available publisher should be fully documented prior to finalizing the procurement.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-002, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.092 Affordable Care Act (ACA) Personal Responsibility Education Program
Federal Award No.: 90AK0034-03-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditee Response and Corrective Action Plan:

GDOE disagrees with this audit finding.

In 2012, upon GDOE staff evaluation of evidence-based programs approved by the Department of Health and Human Services (HHS), the Safer Choices program was selected for implementation under the Personal Responsibility Education Program (PREP). GDOE's program personnel were guided by the HSS website which referred to Education, Training, and Research Associates (ETR) for training and curriculum materials for the Safer Choices program. A grant application was prepared identifying Safer Choices as the curriculum that would be implemented.

In 2014, based on the approved grant application and pursuant to 5 GCA 5004(b), GDOE's Supply Management Administrator documented in a memo to file that formalized the determination that GDOE is authorized to procure directly and without competition for the services and materials from ETR to carry out the activities outlined in the PREP grant. ETR provided training on the Safer Choices program using its copyrighted workbooks.

In January 2015, additional workbooks were purchased as part of the expansion of the Safer Choices program as proposed in the approved grant application. Maintained in the procurement record was a letter from ETR declaring that pamphlets and workbooks are published and copyrighted solely by ETR. Thus, a purchase order was issued to ETR for the workbooks to implement the Safer Choices program, the approved curriculum in the PREP application.

In September 2015, quotations were acquired as part of the buyer's due diligence to determine the availability of the workbooks. The end user did not refer to the previous agreement or workbook purchases and the assigned buyer did not perform the previous purchase. The solicitation of quotes confirmed that the ETR was the only vendor that would be able to provide the workbooks.

In conclusion, GDOE did perform an evaluation which lead to the selection of the Safer Choices program which was then included in the approved PREP grant application. The decision to adopt the Safer Choices curriculum resulted in the procurement of copyrighted workbooks specific to that curriculum.

GUAM DEPARTMENT OF EDUCATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2015

Finding No.: 2015-002, Continued
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.092 Affordable Care Act (ACA) Personal Responsibility Education Program
Federal Award No.: 90AK0034-03-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Auditor Response:

We understand that curriculum is often copyrighted and available only from the sole publisher. Therefore, since selection of the specific training program was, in essence, selection of the proprietary program developer, the method for selecting the training program should have demonstrated why no other training program was chosen. GDOE did not provide documentation dated in 2012 to demonstrate that the GDOE staff evaluations occurred in 2012. GDOE says program personnel were guided by the HHS website, but the HHS website lists 37 programs that have met review criteria and specifically states, "Meeting the Evidence Review criteria does not indicate HHS endorsement of a program model." Although GDOE provided narratives dated in May and June 2016, no documentation contemporaneous with the transaction was provided to demonstrate the rationale for selecting the specific training program proprietary to vendor number 20435 over any other of the 37 available training programs listed on the HHS website.

GUAM DEPARTMENT OF EDUCATION

Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2015

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Requirement</u>	<u>Questioned Cost</u>	<u>Status</u>
2014-001		General Ledger Reconciliations	\$ -	Corrective action taken. Reconciliation between the general ledger account(s), the SEFA and the SEFRAD, with subsidiary ledger account(s) is performed monthly and reports are submitted to the Comptroller for review and approval. The Comptroller continues to monitor the reconciliation process to ensure reconciliation is performed more timely.
2014-002		Non-Appropriated Funds (Agency Funds)	\$ -	Corrective action plan on-going
2013-001	10.555	Equipment and Real Property Management	\$ -	Resolved. GDOE recommends closure of Finding.
2013-001	97.036	Equipment and Real Property Management	\$ -	Resolved. GDOE recommends closure of Finding.
2013-001	12.000	Equipment and Real Property Management	\$ -	Resolved. GDOE recommends closure of Finding.
2013-004	84.394A	SEFA	\$ -	Corrective action taken. A senior accountant was assigned to prepare the SEFA and reconcile to the SEFRAD. The SOP for SEFA and SEFRAD Reconciliation has been developed and is currently under review. Target date for completion for the Superintendent approval has been established. GDOE recommends closure of Finding.
2013-004	84.402A	SEFA	\$ -	Corrective action taken. A senior accountant was assigned to prepare the SEFA and reconcile to the SEFRAD. The SOP for SEFA and SEFRAD Reconciliation has been developed and is currently under review. Target date for completion for the Superintendent approval has been established. GDOE recommends closure of Finding.
2012-001	15.875	Equipment Management	\$ -	Resolved. GDOE recommends closure of Finding.
2012-003	10.555 84.403	Financial Management	\$ -	Corrective action taken. Reconciliation between the general ledger account(s), the SEFA and the SEFRAD, with subsidiary ledger account(s) is performed monthly and reports are submitted to the Comptroller for review and approval. GDOE recommends closure of Finding.
2011-001	15.875	Equipment Management	\$ -	Resolved. GDOE recommends closure of Finding.