

*Management Letter*

**iLearn Academy Charter School, Inc.**  
(A Non-Profit Organization)

*Year ended September 30, 2018*



**Building a better  
working world**



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March 25, 2019

Management and the Board of Trustees  
iLearn Academy Charter School, Inc.  
Ukkudu Village Route 3  
Dededo, Guam 96929

In planning and performing our audit of the financial statements of the iLearn Academy Charter School, Inc. (the Academy) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

During our audit, we noted the following deficiencies in internal control (as described above):

### **Segregation of Duties**

*Observation:*

As a result of our walkthroughs of the Academy's significant processes pertaining to revenues and accounts receivable, cash receipts, purchases and accounts payable, cash disbursements, and payroll, we noted that almost all of the accounting duties are performed by the Business Manager without performance of a review by a second person prior to posting into the general ledger. Although we note that the bank reconciliation is being reviewed at the end of the month by the Chief Operations Officer (COO), this does not sufficiently address the risk that transactions may be improperly or inaccurately reported.

## **Segregation of Duties, continued**

### *Recommendation:*

The Academy should consider hiring additional personnel to ensure proper segregation of duties is maintained.

## **Proper Recording of Payroll Liabilities**

### *Observation:*

We noted that payroll liabilities are not accrued and are only recognized upon disbursement of funds.

### *Recommendation:*

The Academy should ensure that all expenses are recorded in the appropriate period they are incurred.

## **Monthly Enrollment Reports**

### *Observation:*

During our testing of the validity of the Academy's monthly enrollment reports submitted with the allotment requests, we noted the following:

- The enrollment report submitted for January 2018 included Student number 14368 twice which reduces the actual number of enrolled students reported during the month from 500 to 499.
- The enrollment report submitted for November 2017 and January 2018 included Student number 12716 however upon our review of the student's file, the student had withdrawn as of September 2017.

We further observed that the COO's process for compiling the enrollment reports is to compare the number of enrolled students from the previous month to the actual number of students enrolled per RenWeb. Absent any significant fluctuations between the enrollment levels, the previous month's enrollment report will be utilized for the current month reporting.

### *Recommendation:*

To reduce inaccuracies occurring during the compilation process, we recommend that the enrollment listing per the Academy's Student registration software be utilized as the starting point for preparing the monthly reports required for submission. This will allow for a more accurate reporting of enrolled students and will reflect the actual number of enrolled students during the month.

## Hourly Employee Rates

*Observation:*

During our testing of the Academy's employee listing, we noted one employee without a corresponding employment contract or form of documentation indicating a duly authorized pay rate. Management attributed the error to the onboarding of the employee in the middle of the school year which did not fall under the Academy's typical hiring process.

*Recommendation:*

The Academy should ensure that appropriate documentation is maintained for its employees.

## Register of Proposals

*Observation:*

During our testing of the Academy's compliance with the Guam Procurement Law as it pertains to its A+ Contract Services, we noted that the Academy did not maintain a register of proposals. However, we noted that the Academy filed a certification of Request for Proposal (RFP) packet pick up indicating the date and time that each vendor obtained an RFP packet and that the vendors' proposals indicated the date and time of their submissions.

*Recommendation:*

A Register of Proposals should be established to maintain compliance with Title 2 of the Guam Administrative Rules and Regulations Division 4 Procurement Regulations Section 3114(h)(1). The Register of Proposals should include for all proposals, the name of each offeror, the number of modifications received, if any, and a description sufficient to identify the services offered.

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This communication is intended solely for the information and use of management, the Board of Trustees and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Very truly yours,

*Ernet + Young LLP*