



## **Guam Department of Education FY 2010 Financial Highlights**

**April 22, 2011**

The Guam Department of Education (DOE) closed Fiscal Year (FY) 2010 with a deficiency of revenues over expenditures (loss) of \$681 thousand (K), a significant decline for the \$5.6 million (M) surplus in FY 2009. The surplus in FY 2009 was mainly due to the availability of bond funds to pay down debt to the Retirement Fund.

Independent auditors Deloitte & Touche, LLP issued an unqualified “clean” opinion on DOE’s financial statements; but, in order to receive the clean opinion, five audit adjustments were made that cumulatively decreased net assets by \$2.1M. Audit adjustments have continued a trend downward because DOE is taking a more active role in reconciliations and year-end activities. The auditors rendered two qualified opinions on the Single Audit Reports on internal control over financial reporting and over compliance with federal award expenditures. All seven findings were considered material weaknesses<sup>1</sup>.

There were no questioned costs in FY 2010 associated with federal grants, which is a significant improvement from previous years. Three out of five major programs received unqualified opinions. However, the auditors questioned \$1.6M of local procurement for copier services, air-conditioning preventive maintenance and repair, and travel due to the lack of procurement documents. For the eighth consecutive year, DOE remains on high-risk status.

### **Decline in Local Appropriations**

In FY 2010, DOE’s total revenues of \$252.9M comprised of local appropriations of \$205.6M or 81.3%, federal grants of \$46.1M or 18.2%, and other revenues like cafeteria sales of \$865K and fees and other programs of \$397K. Local appropriations for DOE decreased by a total of \$13M, \$10M for operations and \$3M for textbooks. However, the decrease was offset in part by an increase in federal grants and contributions of \$2.6M, which funded generators for the schools.

### **Overall Expenditures**

Total expenditures of \$253.6M comprised of \$203.4M in local funds and \$50.2M in federal funds. Local expenditures of salaries and benefits declined by 0.1% or \$245K from \$165.4M to \$165.2M, whereas utilities increased by 7% or \$965K from \$12.9M to \$13.8M. Water increased significantly by 57.1% or \$811K from \$1.4M to \$2.2M, while power increased by 1.4% or \$155K from \$11.5M to \$11.6M. DOE had fuel costs of \$505K in FY 2010 while there were none in FY 2009. This was attributed to untimely fuel billings to agencies and departments by DOA.

### **JFK Lease and Debt Service Administration**

Of the \$15M in Compact Impact funds the Government of Guam receives from the Department of Interior, \$7.1M is set aside annually for debt service to pay for the construction and lease back of four

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<sup>1</sup> A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity’s internal control.

new schools (Okkodo High School, Astumbo Middle School, Adacao and Liguán Elementary Schools). Additionally, \$4.5M was made available in the form of tax credits to pay for the lease of the John F. Kennedy (JFK) Interim High School. In August 2010, a \$65.7M Series 2010 Certificates of Participation to finance the demolition, acquisition, renovation and installation of the new JFK High School was issued, with rental payments to begin in December 2010.

### **Third Party Fiduciary Agent (TPFA)**

In September 2010, the TPFA contract was signed. Only after the TPFA installed its new financial management system in December 2010, was DOE allowed access to federal reimbursements.

### **American Recovery and Reinvestment Act (ARRA) Funds**

DOE was awarded \$89.3M in ARRA funds yet expended only \$1M or 1% as of September 30, 2010. These funds are for the use of renovations to schools, investments in technology, professional development, a new financial management system, and the third party fiduciary agent.

### **Single Audit Reports and Questioned Costs**

DOE received a qualified opinion on the Single Audit Compliance Reports. In FY 2010, seven findings were identified and considered material weaknesses to include the following:

- Maintenance for all equipment were not consistently performed; property records of prior assets did not routinely include acquisition costs; several vehicles and equipment exceeding \$50K report on the financial statements were not on the inventory records and this condition also occurred in the reverse; and \$2.6M of generator acquisitions were not included in the current year fixed assets.
- Minimum of three written positive quotes were not obtained for small purchases purchased with federal funds.
- School administrators and treasurers tasked with non-appropriated funds (NAF) documentation disregarded NAF requirements. NAFs continue to be vested in personnel who are incapable of accounting for the money. Of transactions totaling \$264K tested, invoices, receiving reports or other evidential matter were lacking for \$93K.
- Reconciliations of accounts receivable, accounts payable, and deferred revenues occurred only at year-end and were not performed timely.

A separate management letter was also issued that identified six control deficiencies pertaining to cash reconciliation and accounts payable reclassification, encumbrances without proper documentation, and data processing environment to include information and network security, and use of portable drives. For a more detailed commentary of DOE's operations, refer to Management's Discussion and Analysis in the report or visit [www.guamopa.org](http://www.guamopa.org).