

**Guam Department of Education
Cash Controls over School Meals Program**

**Performance Audit
October 1, 2008 through September 30, 2011**

**OPA Report No. 12-08
December 2012**



Guam Department of Education Cash Controls Over School Meals Program

**Performance Audit
October 1, 2008 through September 30, 2011**

**OPA Report No. 12-08
December 2012**

Distribution:

Governor of Guam
Lt. Governor of Guam
Speaker, 31st Guam Legislature
Senators, 31st Guam Legislature
Superintendent, Department of Education
Chairperson, Guam Education Policy Board
Director, Department of Administration
Director, Bureau of Budget and Management Research
Guam Media via E-Mail



Table of Contents

	Page
Executive Summary	1
Introduction	3
Background	3
Results of Audit	4
No Assurance that Meals Served Were Accurately Reported and All Cash Was Collected	4
No One in Charge Overall of the School Meals Program	9
Fluctuations in Cafeteria Sales and Number of Meals Served	11
Conclusions and Recommendations	14
Management Response and OPA Reply	15
Appendices	
1: Classification of Monetary Impact	16
2: Objective, Scope, and Methodology	17
3: Prior Audit Coverage	18
4: Cash Receipt vs. Cash Based on Meals Served	20
5: Number of Meals Served	21
6: GDOE and FSMC Operated School Cafeteria Listing	22
7: GDOE Management's Response	23
8: Status of Audit Recommendations	25



EXECUTIVE SUMMARY
Guam Department of Education's Cash Controls over School Meals Program
OPA Report No. 12-08, December 2012

Our audit of the Guam Department of Education's (GDOE) cash controls over school meals revealed (1) no assurance that meals served were accurately reported and all cash was collected, (2) no one in charge of the overall program, and (3) fluctuations in cash collections and a decline in number of meals served. From fiscal years (FY) 2009 to 2011, we found (\$33 thousand (K)) shortages in FY 2009, (\$55K) shortages in FY 2010, and \$63K overages in FY 2011 for the school meals program. These conditions occurred due to the lack of oversight and monitoring of meals served at point-of-service in the schools, no established standard operating procedures for meals served and cash collected, and no oversight of the entire school meals program in GDOE. As a result, there is a risk for theft of cash and underreporting of reimbursement requests made to the United States Department of Agriculture (USDA).

No Assurance Meals Served were Accurately Reported and All Cash was Collected

We observed school meals cash collection procedures at Wettengel Elementary, Agueda Middle, and Okkodo High Schools. Our observations revealed that the schools administered their school meals program differently; and placed the responsibility of distributing meal tickets and collecting cash payments to one school staff. In addition to our observations at the three schools, we also tested school meals transactions and interviewed officials from Machananao Elementary School. Our testing and interviews revealed that Machananao does not follow GDOE's policy for collecting student obligations and does not have a secured storage for its school meals cash collections. As a result of the conditions for Machananao, Wettengel, Agueda, and Okkodo, there is opportunity for theft of funds; and due to no report reconciliation, inaccurate reporting of meals served and cash collected.

No Reconciliation of Reports Resulting in Significant Shortages and Overages

We found cash shortages of (\$33K) in FY 2009, shortages of (\$55K) in FY 2010, and overages of \$63K in FY 2011 for the school meals program. During this timeframe, every school in the public school system had a shortage or overage. Cash shortages ranged from a low of (\$30) at Inajaran Elementary School in FY 2009 to a high of (\$15K) at Upi Elementary in FY 2011. The cash overages ranged from a low of \$9 at F.Q. Sanchez Elementary in FY 2010 to a high of \$7K at Simon Sanchez High School in FY 2011. This occurred because no one in the GDOE's Business Office or Food and Nutrition Services Management Division (FNSMD) was reconciling reports to ensure accuracy and completeness of the information reported.

No One in Charge of the Overall School Meals Program

We found no one person was in charge of the overall school meals program. Each school issues two separate reports to the Business Office and FNSMD. The Business Office reconciles the report with bank statements to verify the reported figures to the deposited amounts. The FNSMD

compiles all the reports and submits federal reimbursement requests to USDA. GDOE's school meals program does not act as one cohesive unit; rather, each section focuses on its own specific role. Similar concerns were raised in past audits completed by Evergreen Solutions, LLC and the Department of the Interior, Office of Inspector General. Because no one person is responsible for the school meals program, any issues, especially issues that affect more than one aspect of the program, will not be addressed in a timely and cohesive manner.

Fluctuations in Cafeteria Sales and Number of Meals Served

Cash collections from cafeteria sales went from \$767K in FY 2009 to \$865K in FY 2010 to \$793K in FY 2011 despite increases in the price of school meals. The number of school meals served went from 4.2 million (M) in FY 2009 and FY 2010 to 3.8M in FY 2011. The fluctuations in cafeteria sales can be attributed to factors, including the recent increase in the price of school meals. With fewer students eating school meals, GDOE is collecting less cash and federal reimbursements. GDOE management is unaware of these trends because no one was assigned to monitor trends in the school meals program.

Conclusion and Recommendations

There is no assurance that meals served were accurately reported and all cash was collected. This occurred because of the lack of segregation of duties, no report reconciliation, and insufficient oversight of the school meals program. Between FY 2009 and FY 2011, the school meals program also experienced fluctuations in the cash collected and the number of meals served. To address these conditions, we recommend the GDOE Superintendent (1) develop an official policy for accounting meals and collecting cash inclusive of standard formal training, (2) require GDOE Business Office and FNSMD to reconcile the Cash Receipts Report and Summary of Monthly Meal Count Reports, and (3) designate a person to be responsible for the overall school meals program.



Doris Flores Brooks, CPA, CGFM
Public Auditor



Introduction

This report presents the results of our audit of the Guam Department of Education's (GDOE) cash controls over school meals from October 1, 2008 to September 30, 2011 (fiscal years (FY) 2009 to FY 2011). The audit was initiated as part of the Office of Public Accountability's Annual Audit Work Plan. Our audit objectives were to determine whether GDOE's school meals cash collections were: (1) properly handled, (2) adequately safeguarded, and (3) accurately reported in a timely manner. The objective, scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.

Background

GDOE is a single unified school district consisting of Kindergarten through 12th grade. GDOE is a line agency of the Government of Guam (GovGuam) and receives most of its funds from GovGuam's General Fund. GDOE's mission is to "prepare all students for life; promote excellence; and provide support". GDOE serves over 30,000 students by operating 26¹ elementary schools, eight middle schools, five high schools and one alternative school.

GDOE is the State Agency responsible for administering U.S. Department of Agriculture (USDA) Food and Nutrition Services funds for the Child Nutrition Program, Food Distribution Program, and State Administrative Expense. The Superintendent of Education is the official entrusted with binding signature authority for required documents in the administration of these programs. GDOE's Food and Nutrition Services Management Division (FNSMD) administers these programs to GDOE, Department of Defense Domestic Dependents schools, Child Day Care Centers or Homes (private and military), and the Department of Youth Affairs Residential Child Care Institution.

The school meals program can be divided into three process levels: GDOE schools, Business Office, and FNSMD. Each school is responsible for collecting, distributing, and reporting school meals served and cash collections. The Business Office is responsible for ensuring accurate reporting of school meals cash collections from the schools. FNSMD is responsible for ensuring accurate counts of school meals served from the schools, to be used for determining the amount of federal reimbursements from USDA.

Federal reimbursements are provided to GDOE for each meal served (free, reduced-price, and paid) that meets program requirements. To obtain this reimbursement, school personnel must accurately count, record and claim the number of meals actually served to students by price category (paid, reduced-price, and free). Additionally, adequate documentation must be kept on file to support the number of all meals served and claimed for reimbursement.

¹ F.Q. Sanchez Elementary School was closed in June 2011 and its students now attend Merizo Elementary School.

Results of Audit

Our audit of the GDOE's cash controls over school meals revealed: (1) no assurance that meals served were accurately reported and all cash was collected, (2) no one is in charge of the overall program, and (3) fluctuations in cash collections and number of meals served. From FY 2009 to FY 2011, we found (\$33 thousand (K)) shortages in FY 2009, (\$55K) shortages in FY 2010, and \$63K overages in FY 2011 for the school meals program. These conditions occurred due to the lack of oversight and monitoring of meals served at point-of-service in the schools, no established standard operating procedures for meals served and cash collected, and no oversight of the entire school meals program in GDOE. As a result, there is a risk for theft of cash and underreporting of reimbursement requests made to the United States Department of Agriculture (USDA).

No Assurance that Meals Served Were Accurately Reported and All Cash Was Collected

We observed school meals cash collection procedures at Wettengel Elementary (Wettengel), Agueda Middle (Agueda), and Okkodo High (Okkodo) Schools. Our observations revealed that the schools administered their school meals program differently; and placed the responsibility of distributing meal tickets and collecting cash payments to one school staff. In addition to our observations at the three schools, we also tested school meals transactions and interviewed officials from Machananao Elementary (Machananao) School. Our testing and interviews revealed that Machananao does not follow GDOE's policy for collecting student obligations and does not have a secured storage for its school meals cash collections. As a result of the conditions for Machananao, Wettengel, Agueda, and Okkodo, there is opportunity for theft of funds; and due to no report reconciliation, inaccurate reporting of meals served and cash collected. Between FY 2009 and FY 2011, each school had shortages and overages of actual cash received compared to expected cash collections.

One Person Responsible for Distribution, Allocation, and Collection

The most basic form of separation of duties is to ensure that no one person is in a position to both commit an irregularity and conceal it.² At Wettengel and Agueda, we found that only one person was responsible for the distribution and allocation of meal tickets and collection of cash. There is no secondary review or reconciliation of the school meal tickets and cash collected at the schools. Contrastingly, Okkodo placed the responsibility of distribution and allocation of meal tickets and cash collections to multiple employees.

Wettengel Elementary

The responsibilities of collecting, handling, and reporting cash collected from school meals was given to one school aide. The school aide was solely responsible for: (1) manually distributing meal tickets, (2) collecting cash payments for school meals, (3) taking the count of meal tickets and cash collected to the school's Main Office, and (4) preparing reports of cash received and number of meals served. An administrative assistant (1) verified the cash collected and (2) edited

² Gauthier, S.J. (1994). *An elected official's guide to internal controls and fraud prevention*. Chicago, IL: Government Finance Officers Association.

the report of number of meals served. At the beginning of cash collections, the school aide has the opportunity to misappropriate cash and report a lower cash total before the report is verified by the administrative assistant.

Agueda Johnston Middle School

The responsibilities of counting and recording cash collected were performed by one school aide. A maintenance custodian and a school aide (1) manually distributed meal tickets, and (2) collected cash payments for school meals. Another school aide collected meal tickets in front of the serving counter. After the meal period, the school aide at the serving counter provides the collected meal tickets to the Food Service Management Contractor (FSMC). The FSMC counts and reconciles the total number of collected meal tickets with the maintenance custodian. The maintenance custodian then (1) records the number of meal tickets by free, reduced price, and regular price, (2) counts the cash collected, and (3) prepares reports of cash received and meals served. The first school aide verifies the maintenance custodian's calculations, but not the maintenance custodian's meal or cash counts. Similar to Wettengel, the school aide has the opportunity to misappropriate cash and report a lower cash total before the report is verified by the first school aide.

Okkodo High School

In contrast, Okkodo placed responsibilities of collecting, handling, depositing, and reporting cash collected from school meals on multiple employees. A clerk typist stationed in an open room at the school's Main Office (1) manually distributed meal tickets, and (2) collected and (3) counted cash payments for school meals. A computer operator (1) verified and (2) stored cash collected in a locked safe, and (3) prepared reports of cash received. A school aide (1) collected and (2) submitted meal tickets to the school's Main Office. An administrative assistant prepared a report of number of meals served.

Example of How Meals Accounted for and Cash Collected Can Be Misallocated

By having one employee responsible for the distribution and allocation of school meal tickets, there is an opportunity for theft or misallocation of free, reduced-price, and paid meals. As an example of how theft or misallocation could occur, there is a population of 900 students with 600 eligible for free meals. In one day, 250 students were served meals and one employee is responsible for determining whether each student's meal is free, reduced-price, or paid. That one employee has a student roster, listing all free and reduced-price eligible students. In this example, 225 were deemed free, 15 were reduced-price, and 10 were paid. Because this employee had sole access to the student roster and the cash collected, the employee has the opportunity to reallocate the paid meals to free meals and take the cash.

An internal audit conducted by GDOE auditors in July 2011 found cash shortages in the past due to one employee being allowed to prepare school meal reports for transmittal to GDOE's Business Office. According to the report, "one employee was given the opportunity to manipulate the cash because of internal control weaknesses." The employee had a history of cash shortages, but was never reported to the proper authorities. Separation of duties and responsibilities is necessary when dealing with cash because a dedicated person with significant motivation can circumvent any system of internal controls. To prevent this, we recommend the

GDOE Superintendent develop an official policy for accounting meals and collecting cash inclusive of standard formal training.

\$87K Shortages and \$62K Overages in Cash Collections

Between FY 2009 and FY 2011, we found no assurance that all cash was collected for the school meals program. We calculated expected cash collections based on the Summary of Monthly Meals Served Reports prepared by FNSMD and matched it to the Cash Receipts report prepared by the Business Office. We found shortages of (\$33K) in FY 2009, shortages of (\$55K) in FY 2010, and overages of \$63K in FY 2011 for the school meals program. This occurred because no one from the Business Office and FNSMD was reconciling reports to ensure accuracy and completeness of the information reported. We recommend GDOE Business Office and FNSMD reconcile Cash Receipts report and Summary of Monthly Meals Served. See Table 1 for a summary and Appendix 4 for details of Cash Receipts vs. Cash Based on Meals Served, indicating the variances.

Table 1: Summary of Variances between Cash Collections Reports

GRADE LEVEL	FY 2009	FY 2010	FY 2011
ELEMENTARY SCHOOLS	\$ (31,220)	\$ (62,883)	\$ 32,012
MIDDLE SCHOOLS	\$ (1,669)	\$ 1,023	\$ 15,178
HIGH SCHOOLS	\$ 730	\$ 6,593	\$ 15,101
ALTERNATIVE SCHOOL	\$ (385)	\$ (143)	\$ 441
GRAND TOTALS	\$ (32,544)	\$ (55,410)	\$ 62,732

Every school had a shortage or overage in the three-year period. The highest shortages were (\$15K) from Upi Elementary in FY 2011, (\$12K) from Machananao in FY 2010, and (\$11K) from Chief Brodie Elementary in FY 2009. The highest overages were \$7K and \$3K from Simon Sanchez High School in FY 2011 and in FY 2010, respectively, and \$4K from Astumbo Elementary.

A cash overage/shortage typically is realized during the balancing of cash receipts. Some cash shortages result from human error and are the cost associated with doing business. However, objective reviews must be completed to eliminate misconduct and provide assurance that controls are effective.

Machananao Elementary School

As an example, Machananao served 25,442 meals in FY 2009 and was expected to receive \$15K. However, actual cash receipts were \$7K, resulting in a shortage of \$8K. See Table 2 for calculation.

Table 2: FY 2009 Expected v. Actual Cash Receipts

FY 2009	Breakfast		Lunch		Totals
	Reduced	Regular	Reduced	Regular	
Meals Served	2,249	3,108	5,287	14,798	25,442
Price	\$ 0.25	\$ 0.50	\$ 0.35	\$ 0.75	-
Totals	\$ 562	\$ 1,554	\$ 1,850	\$ 11,099	\$ 15,065
				Less: Actual Cash Receipts	\$ 7,432
				Shortage	\$ 7,633

In FY 2010, Machananao was expected to receive \$21K based on FNSMD's number of meals served, but actually received \$9K, resulting in a shortage of (\$12K). In FY 2011, the school was expected to receive \$14K, but actually received \$12K, resulting in a shortage of (\$1K).

We asked representatives from the FNSMD to ascertain the cause of the variances. An FNSMD Program Coordinator could only surmise that the discrepancies were caused by untimely deposits to the bank and student financial obligations (IOUs). While IOUs could potentially explain the cash shortages, we were unable to ascertain the reason for the overages.

Enforcement of IOUs

Since GDOE cannot allow students to go hungry, students are sometimes allowed to eat school meals without payment and accumulate IOUs. Standard Operating Procedures (SOP) No. 600-001 for the Collection of Financial Obligations was adopted in September 2010 to ensure minimal financial loss for the school meals program. The SOP states that students are given a verbal warning upon accumulating a meal program financial obligation of any amount. Upon accumulating a financial obligation of five dollars (\$5.00), the students' parents/guardians are verbally notified by a school official to make payment within three business days or it could result in GDOE contacting Child Protective Services (CPS) to charge the parents/guardians with child deprivation and neglect. Upon accumulating a financial obligation of \$5.00 a second time, the students' parents/guardians will receive a written notice of the GDOE contacting CPS to charge the parents/guardians with child deprivation and neglect.

Based on our discussions with school officials, the implementation and enforcement of IOUs is dependent on the schools. A school aide at Agueda indicated that because of previous problems with the collection of IOUs, the school stopped accepting IOUs during school year (SY) 2010-2011. However, Agueda started accepting IOUs again in SY 2011-2012.

At Machananao, we found IOU collection problems. Our testing results showed that from March 14 to 18, 2011, student IOUs for meals served at Machananao totaled \$190. Machananao also had consistent cash shortages totaling \$21K for the past three fiscal years. An assistant principal at Machananao explained that letters were sent home to parents of students with IOUs. Although Board policy requires the schools to contact CPS, instead parents from Machananao were called to a mandatory parent-teacher conference to discuss payments for the IOU. Parents have until the end of the school year to clear the IOU or else the school will hold onto the student's report card.

Essential Meal Count/Collection Procedures

We identified best practices to effectively operate school meals programs through the August 2011 Texas Department of Agriculture's Counting and Claiming handbook. The essential features of a school meals program include an established medium of exchange, distribution, collection, and point-of-service definition and acceptable counts.³ Our review of Wettengel, Agueda, and Okkodo revealed lack of uniformity in the medium of exchange, distribution, collection, and point-of-service counts.

³ Texas Department of Agriculture, Food and Nutrition (August 2011). Counting and Claiming. In Administrator's Reference Manual (7). Retrieved from <http://www.squaremeals.org/Portals/8/files/ARM/Section%207-Counting%20and%20Claiming.pdf>

Medium of Exchange

The medium of exchange is the system in place that tracks the total number of meals served and how many are free, reduced-price, and paid meals. The types of identifiers include any type of ticket, token, ID, or number issued to students for obtaining a meal. The purpose of the identifiers is to prevent overt identification of free and reduced-priced meal recipients in the coding, distribution, and collection process. Wettengel, Agueda, and Okkodo issued tickets to students for their school meals, but the tracking of free, reduced-price, and paid meals differed at each school.

- Wettengel differentiated meals served through line markings on the ticket: one line on the left side indicated a free meal, one line on the right side indicated a reduced-price meal, and no line indicated a paid meal.
- Agueda differentiated meals served through the prefix number on the ticket: All tickets beginning in 01, 04, 05, 06, 07, 08, and 09 indicated a free meal, tickets beginning with 02 were reduced-price, and tickets beginning with 03 indicated a paid meal.
- Okkodo differentiated meals through the suffix number on the ticket: Tickets with an odd number at the end are for free meals, even numbers are for paid meals, and zeroes are for reduced price meals.

There are disadvantages to the coded ticket system. For example, students lost their tickets prior to redeeming it for a school meal. Another disadvantage would be tickets are cumbersome to collect and count by category after the meals were served in larger schools.

Distribution of School Meal Tickets

All meal count/collection systems must include a method for prepayment and/or post billing (charging). The provision allowing for prepayment and/or charging should make free and reduced-price meal recipients appear as students who have prepaid full price. At Wettengel, Agueda, and Okkodo, they allow equal opportunity for the distribution of tickets to free, reduced-price, and paid students. However, with distribution of tickets to free and reduced-price eligible students at all three schools, there are opportunities for misallocation of the types of meals served because of the speed coupled with the large volume of students orally identifying themselves to GDOE staff to check their names off the roster.

Point-of-Service and Acceptable Counts

Regulations define a point-of-service meal count as “that point in the food service operation when a determination can accurately be made that a reimbursable free, reduced-price or paid meal has been served to an eligible child.” Acceptable point-of-service counting and claiming procedures are required in determining reimbursable meals. Any counting/collection procedure used must provide for someone stationed at the end of the serving line to monitor the meals selected to ensure that each meal claimed for reimbursement meets meal requirements. In addition, the procedure must provide a method for removing any meal that is not reimbursable from the proper meal count category.

In SY 2011-2012, GDOE operated eight school cafeterias and a Food Service Management Contractor (FSMC) operated the remaining 32 school cafeterias. See Appendix 6 for a listing of the GDOE and FSMC operated school cafeterias. Of the three schools we physically observed,

Agueda’s cafeteria was managed by an FSMC, while Wettengel and Okkodo’s cafeterias were managed by GDOE employees.

FSMC Managed Cafeterias. At Agueda, the FSMC cafeteria manager counts the number of meals served to calculate how much the FSMC would charge per student to GDOE. Meanwhile, school staff at Agueda also performs her own counts of meals served to report to FSMC the number of students served free, reduced-price, and regular priced meals. At the end of each serving at Agueda, representatives from the FSMC would meet with designated school staff to reconcile the total number of meals served. If the FSMC and school staff’s counts differ, the school staff would take the FSMC’s count. Then, school staff reports the count to FNSMD by the number of students served free, reduced price, and regular priced meals.

GDOE Managed Cafeterias. At Wettengel and Okkodo, the GDOE cafeteria managers count and report the number of meals served directly to FNSMD. Meanwhile, school staffs at Wettengel and Okkodo also perform their own counts of meals served based on meal tickets collection. At the end of each serving at Wettengel and Okkodo, the school staffs provide the count to other designated school staffs. The designated school staffs would report the counts to FNSMD by the number of students served free, reduced-price, and regular priced meals.

Regardless of whether the cafeteria was managed by GDOE or FSMC, Wettengel, Agueda, and Okkodo showed cash collection shortages and overages for three fiscal years. See Appendix 4 for the cash collection variances. Therefore, deficiencies exist in both types of cafeteria management.

Cash Collections Should Be Secured

Once cash has been accounted for, it should be kept in a secure locked storage location at all times pending pick-up by contracted security services. Specific individuals should be assigned responsibility for the custody of the cash. Cash should be accessible only to authorized employees. We found that cash collections for Machananao, Wettengel, and Okkodo were kept overnight at the schools because of the arrival time of GDOE’s contracted security transport. Cash collections from Machananao and Wettengel did not have a secured safe for overnight storage and instead were placed in a desk drawer. In contrast, Okkodo has a safe to store cash collections overnight. As a result, school meals cash collections at Machananao and Wettengel are more susceptible to theft.



Image 1: Safe at Okkodo High School

No One in Charge Overall of the School Meals Program

We found no one person was in charge overall for the school meals program. As a result, the school meals program was decentralized and there were no established cash collections standard operating procedures. This was identified in previous audits conducted by Evergreen Solutions, LLC (Evergreen) and the Department of the Interior, Office of Inspector General. Without one person being held responsible to manage the entire school meals program, issues such as those mentioned above will not be identified or addressed in a timely manner.

Decentralized School Meals Program

We found reports submitted to the Business Office and FNSMD were not reconciled and resulted in net shortages totaling (\$25K) from FY 2009 to FY 2011. This occurred because each school prepares two separate reports to the Business Office and FNSMD. Schools submit a Field Receipt and Depositor's Report containing the number of meals served and the amount of cash collected from school meals program to the Business Office. The Business Office then reconciles the report with bank statements to verify the reported figures to the deposited amounts. If there are any variances, the Business Office will inform the school to take corrective action.

The schools also submit a Bi-Monthly Meal Count Report containing the number of meals served for free, reduced, and regular priced meals to FNSMD. The FNSMD compiles the Bi-Monthly Meal Count Reports of all 41 schools and submits federal reimbursement requests to USDA. There is no reconciliation of the Field Receipt to the Bi-Monthly Meal Count Report. GDOE received \$7.6 million (M) in FY 2009, \$8.6M in FY 2010, and \$8.1M in FY 2011 in federal reimbursements. See Table 3 for the revenues for the school meals program.

Table 3: School Meals Program Revenues (FY 2009 – FY 2011)⁴

Meals Program Revenues	FY 2009	FY 2010	FY 2011	Grand Totals
Federal Reimbursements	\$ 7,561,774	\$ 8,648,137	\$ 8,112,996	\$ 24,322,907
Cafeteria Sales	\$ 766,564	\$ 864,661	\$ 793,281	\$ 2,424,507
Total Revenues	\$ 8,328,338	\$ 9,512,798	\$ 8,906,277	\$ 26,747,413

Although the Business Office and FNSMD verify these reports with the schools, the Business Office and FNSMD do not reconcile reports with each other, resulting in variances. There may be lost revenues due to no reconciliation between the amounts reported by the Business Office and FNSMD. As a result, GDOE's school meals program does not act as one cohesive unit with each section focusing on its own specific role.

No Established Cash Collections Standard Operating Procedure

Specific policies and procedures are needed to ensure an effective control environment and an effective accounting system. These control policies and procedures are an element of a government's overall internal control structure. They do not exist or function separately; rather, they operate as integral components of the control environment and accounting system. Policies and procedures ensure that all transactions are properly authorized, incompatible duties are segregated, records are properly designed and maintained, access to records are controlled, and data is periodically compared.

We found GDOE did not implement standard operating procedures for administering school meals. During our site visits to the schools, employees confirmed they did not have established standard operating procedures. Because of the lack of an official policy or standard procedures and formal training on cash handling procedures, employees relied on their predecessors for guidance. For example, the maintenance custodian at Agueda stated he was taught by his predecessor on how to handle the cash collections for the school meals.

⁴ Federal reimbursement figures are derived from GDOE's Financial Audit Reports from FY 2009 through FY 2011. The Office of Public Accountability did not examine internal controls over these figures.

As evidenced in the Evergreen Food Services Audit conducted in July 2009, GDOE lacked a comprehensive procedures manual for the school meals program. The Evergreen audit stated that “It is critical that (for all program areas and particularly for the areas of accountability) written procedures be developed, distributed, and maintained. Once developed, the written procedures should be available to cafeteria staff in electronic and written formats; training should be provided to cover all elements addressed in the Procedures Manual.” Therefore, we recommend for the Superintendent to designate a person in charge of the overall school meals program to establish a written policies and procedures manual of cash collections for the program.

Evergreen Audit Report

Evergreen Solutions, LLC (Evergreen) issued the Management and Curriculum Audit report in March 2009 and the Food Services Audit report in July 2009. The total cost of the audits was \$386K: \$296K for the Meals and Curriculum Audit and \$90K for the Food Services Audit. The Management and Curriculum Audit report revealed that the FNSMD Food Service Program faced budget shortfalls and decreased potential local revenue. Meanwhile, the Food Services Audit report revealed that GDOE lacks an accountability system for its Food Service Program. Both reports cite lack of in-depth program review and inadequate school food services policies and procedures.

Evergreen made 11 recommendations in their review of GDOE’s food services, such as improving food service financial management, establishing fiscal control of the child nutrition services program at the department level, clarifying organizational roles, and developing and implementing a comprehensive procedures manual. According to FNSMD representatives, the recommendations are being addressed by the administrator of FNSMD. However, there is no follow-up procedure from Evergreen to determine if the recommendations were indeed implemented. Because no one is in charge overall of the school meals program, the status of Evergreen’s audit recommendations will be deferred.

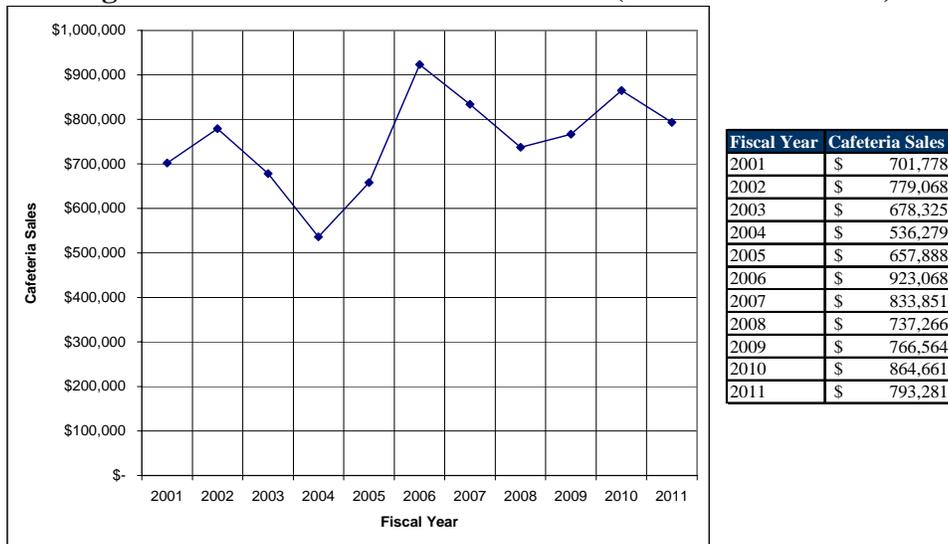
Fluctuations in Cafeteria Sales and Number of Meals Served

Cash collections from cafeteria sales went from \$767K in FY 2009 to \$865K in FY 2010 to \$793K in FY 2011 despite increases in the price of school meals. The number of school meals served went from 4.2M in FY 2009 and in FY 2010 to 3.8M in FY 2011. The fluctuations in cafeteria sales and number of meals served can be attributed to various factors, including the recent increase in the price of the school meals. With fewer students eating school meals, GDOE is collecting less cash and federal reimbursements. GDOE management is unaware of these trends because no one was assigned to monitor trends in the school meals program.

Effect on Cafeteria Sales

Prior to 2009, GDOE cafeteria sales experienced fluctuations. Cafeteria sales went from \$702K in FY 2001, to a low of \$536K in FY 2004, then an all-time high of \$923K in FY 2006. Because no one was monitoring the trend of cafeteria sales, we found these fluctuations went unexplained and there was no system in place to monitor these irregularities. Therefore, we recommend for the GDOE Superintendent to designate a person to be responsible for the overall school meals program, to include monitoring for these irregularities. See Figure 1 for the ten-year trend.

Figure 1: GDOE Cafeteria Sales Trend (FY 2001 – FY 2011)



In FY 2009, most schools reported receiving less cash despite the greater number of total free, reduced price, and paid meals served. In FY 2010, most schools received more cash compared to the previous year's lower collection most likely due to the implementation of meals price increases. In FY 2011, most schools received less cash because of less total free, reduced price, and paid meals served. See Table 4 for details.

Table 4: Trend of GDOE Cafeteria Sales and Meals Served (FY 2009 – FY 2011)

Fiscal Year	Cafeteria Sales	Meals Served
2009	\$ 766,564	4,163,951
2010	\$ 864,661	4,157,343
2011	\$ 793,281	3,847,300

Decline in Meals Served

Between FY 2009 and FY 2011, there was a 317K decline in the number of meals served. GDOE served 4.2M meals in FY 2009, 4.2M meals in FY 2010, and 3.8M meals in FY 2011. See Appendix 5 for more details. The number of free meals served increased by 266K or 9% for free meals, decreased by 51K or -24% for reduced price meals, and decreased by 532K or -52% for regular priced meals. See Table 5 for details.

Table 5: Percent Change in Number of Meals Served (FY 2009 – FY 2011)

Price of Meals Served	Number of Meals Served			% Change
	FY 2009	FY 2010	FY 2011	
Free	2,924,394	3,193,832	3,190,119	9%
Reduced	210,432	193,637	159,596	-24%
Regular	1,029,125	769,874	497,585	-52%
Totals	4,163,951	4,157,343	3,847,300	-8%

Increase in School Meal Prices

In October 2009, based on FNSMD's recommendation, the Guam Education Board approved a series of price increases to include a yearly evaluation for school meals starting January 2010. The price for school lunch in 2009 was \$0.75 and breakfast was \$0.50. The first three adjustments increased lunch to \$1.50 in January 2010, \$2.00 in August 2011, and \$2.50 in August 2012. A fourth adjustment is expected to increase the lunch price to \$3.00 in 2013. The price for reduced lunch was increased to \$0.40 in January 2010 and continues to remain the same.

GDOE is not only losing revenues, it is also not collecting all revenues. In FY 2009, paid meals were 1M and reduced-price meals were 210K, and in FY 2011, paid meals were 498K and reduced-price meals were 160K. The decrease in cash collections from school meals combined with the lack of segregation of duties and variances between actual and expected cash collections heightens the risk of continued cash collections shortages. Further, the decrease in federal reimbursements is compounded by the decrease in meals served; not all students who used to receive regular priced meals applied for free or reduced price meals. With less paid or reduced price meals being served, GDOE is collecting less cash and federal reimbursements.

Conclusions and Recommendations

There is no assurance that meals served were accurately reported and all cash was collected. This occurred because of the lack of segregation of duties, no report reconciliation, and insufficient oversight of the school meals program. Between FY 2009 and FY 2011, the school meals program also experienced fluctuations in the cash collected and the number of meals served.

To address these findings and correct the deficiencies, we recommend the following to the GDOE Superintendent:

1. Develop an official policy for accounting meals and collecting cash inclusive of standard formal training;
2. Require GDOE Business Office and FNSMD to reconcile the Cash Receipts Report and Summary of Monthly Meal Count Reports; and
3. Designate a person to be responsible for the overall school meals program.

Management Response and OPA Reply

A draft report was transmitted to GDOE management on December 11, 2012 for its official response. On December 18, 2012, we met with GDOE management to discuss the audit findings and recommendations. GDOE's management fully concurred with the audit report findings and recommendations and provided its official response on December 26, 2012. See Appendix 7 for details.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress in implementing the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting GDOE to provide target dates and title of the official(s) responsible for implementing the recommendation.

We appreciate the cooperation and assistance shown during the course of this audit by the GDOE Superintendent's Office, FNSMD, Business Office, Internal Auditor's Office, Machananao Elementary School, Wettengel Elementary School, Agueda I. Johnston Middle School, and Okkodo High School.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Classification of Monetary Impact

Findings	Financial Impact
<p>1. No Assurance that All Meals Served Were Accurately Reported and All Cash Reported Between FY 2009 and FY 2011, we found shortages totaling (\$25 thousand (K)) between reports generated from the Business Office and Food and Nutrition Services Management Division (FNSMD).</p>	<p>FY 2009 (\$32,545) FY 2010 (\$55,410) FY 2011 \$62,732</p>
<p>2. No One in Charge of the Overall School Meals Program Without one person being held accountable, issues within GDOE’s school meals program will not be identified or addressed in a timely manner.</p>	<p>\$0</p>
<p>3. Fluctuations in Cash Collections and Decline in Meals Served With fewer students eating school meals, GDOE is collecting less cash and federal reimbursements.</p>	<p>\$0</p>
<p>Total</p>	<p>\$25,223</p>

Appendix 2:
Objective, Scope, and Methodology

Our audit objectives were to determine whether GDOE's school meals cash collections were: (1) properly handled, (2) adequately safeguarded, and (3) accurately reported in a timely manner. The scope of this engagement is from October 1, 2008 to September 30, 2011 (FY 2009 to FY 2011).

Our audit methodology included a review of laws, policies, procedures, prior audit findings, hotline tips, and other information pertinent to GDOE's school meals cash collections. We also performed the following:

- Interviewed key officials from the:
 - Superintendent's Office,
 - Internal Auditor's Office,
 - FNSMD,
 - Business Office,
 - Machananao Elementary School,
 - Wettengel Elementary School,
 - Agueda I. Johnston Middle School, and
 - Okkodo High School.
- Performed walkthroughs and physical observations to gain an understanding of the school meals cash collection processes at:
 - Wettengel Elementary School,
 - Agueda I. Johnston Middle School, and
 - Okkodo High School.
- Consolidated and analyzed data to identify trends for:
 - FNSMD's Monthly Summary of Meals Served,
 - Business Office's Cash Receipts,
 - GDOE's Cafeteria Sales, and
 - GDOE's Student Enrollment.
- Reviewed and traced school meals transactions made from March 14 to 18, 2011 in documents such as: Field Receipt, Depositor's Report, Bi-Monthly Meal Count Report, delivery receipt, bank deposit slip and monthly statements, and federal reimbursement account drawdown for:
 - Machananao Elementary School,
 - Wettengel Elementary School,
 - Agueda I. Johnston Middle School, and
 - Okkodo High School.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

GDOE Financial Statements Audit and Single Audit Reports (FY 2009 to 2011)

Public Laws 29-113 and 30-55, and the FY2011 GDOE Budget identified \$7.5M in federal reimbursements from the School Nutritional Meals Program provided by the U.S. Department of Agriculture Food and Nutrition Services (USDA FNS) for meals served to students in the public school system and the Department of Defense Education Activity (DoDEA) schools, wards of the Department of Youth Affairs, and children that attend various child care centers; however, no local appropriation is provided. The reimbursements are from the National School Lunch and Breakfast Programs, and the State Administrative Expenses for Child Nutrition Program, and are accounted for within GDOE's federal grants assistance fund. The lack of local appropriation to off-set USDA reimbursements in the operation of the School Lunch Program continues to be an on-going concern.

The Child Nutrition Cluster, National School Lunch Program was one of GDOE's major federal programs in FY 2010 and FY 2011. The GDOE FY 2011 Single Audit contained two unresolved prior year findings from FY 2006 and FY 2008 totaling \$117K in questioned costs. The unresolved prior findings were for no written eligibility determination documents (\$113K) and no procurement documents on file (\$4K).

Evergreen Solutions' Food Services Audit and Meals and Curriculum Audit (2008 to 2009)

In September 2008, GDOE contracted with Evergreen Solutions, LLC to conduct a management and curriculum audit of the school system. The audits revealed that GDOE lacks an accountability system for its Food Service Program. They identified five major concerns:

1. Lack of sufficient and timely financial information;
2. Outdated school meal prices;
3. Inadequate school food services policies and procedures;
4. Lack of productivity-based staffing formulas; and
5. Lack of a current in-depth program review.

In Spring 2009, Evergreen Solutions, LLC was contracted to study the financial operations of food services for GDOE. The study revealed that the GDOE FNSMD's Food Service Program faced budget shortfalls and decreased potential local revenue. The \$9M program is losing approximately \$1M annually in operating income with no plan designed to reverse the trend.

USDA Management Evaluation Report (FY 2009)

Since 2004, USDA FNS have cited issues with all the Guam child nutrition programs. These issues include:

1. The impediment of National School Lunch Program operations due to local school district funding shortfalls, low paid school lunch revenues, and high meal production costs in excess of federal reimbursements; and
2. The delinquent Defense Supply Center Philadelphia commodity account.

USDA FNS viewed the non-utilization of Child and Adult Care Food Program audit funds as further evidence of poor fiscal planning and inability to optimally utilize federal funds. These fiscal issues and GDOE's budget deficiencies adversely affect all child nutrition programs' operations.

DOI-OIG Follow-up of Recommendations Concerning GDOE's Food Services Operations (1997)

In July 1988, the Department of Interior Office of Inspector General's audit of the GDOE Food Services Operations revealed that GDOE:

1. Prepared inaccurate reimbursement claims from the USDA FNS;
2. Did not charge teachers, volunteer parents, and ineligible students for meals; and
3. Performed inadequate school oversight reviews.

As a result, from August 1985 to October 1987, GDOE claimed \$529,379 in excess reimbursements, did not collect \$208,294 for meals served, and did not detect these discrepancies during its oversight reviews. DOI-OIG made eight recommendations for GDOE to address the findings.

In March 1997, DOI-OIG conducted a follow-up review to determine the status of its recommendations. GDOE implemented seven of the eight recommendations. However, the review revealed that GDOE did not retain student applications as mandated by program regulations and perform analyses to determine school eligibility for higher reimbursement rates. As a result, GDOE had questioned costs of \$351,231 and DOI-OIG made five new recommendations.

Appendix 4:

Cash Receipt vs. Cash Based on Meals Served

#	SCHOOL NAMES	FY 2009			FY 2010			FY 2011		
		CASH RECEIPTS	CASH BASED ON MEALS SERVED	VARIANCES	CASH RECEIPTS	CASH BASED ON MEALS SERVED	VARIANCES	CASH RECEIPTS	CASH BASED ON MEALS SERVED	VARIANCES
1	AGANA HEIGHTS ELEM.	\$ 22,911	\$ 29,124	\$ (6,214)	\$ 30,464	\$ 38,877	\$ (8,413)	\$ 28,717	\$ 23,497	\$ 5,220
2	MARCIAL SABLAN ELEM.	\$ 12,146	\$ 12,469	\$ (322)	\$ 15,589	\$ 15,382	\$ 207	\$ 12,900	\$ 11,057	\$ 1,844
3	B.P. CARBULLIDO ELEM.	\$ 16,382	\$ 18,447	\$ (2,065)	\$ 21,454	\$ 21,846	\$ (392)	\$ 23,926	\$ 17,989	\$ 5,936
4	C.L. TAITANO ELEM.	\$ 19,491	\$ 21,824	\$ (2,332)	\$ 25,115	\$ 27,286	\$ (2,171)	\$ 26,285	\$ 23,036	\$ 3,249
5	FQ SANCHEZ ELEM.	\$ 1,350	\$ 1,250	\$ 100	\$ 1,772	\$ 1,764	\$ 9	\$ 1,109	\$ 959	\$ 150
6	FINEGAYAN ELEM.	\$ 27,559	\$ 26,332	\$ 1,227	\$ 28,620	\$ 28,453	\$ 167	\$ 28,707	\$ 23,331	\$ 5,376
7	HS TRUMAN ELEM.	\$ 14,949	\$ 15,418	\$ (469)	\$ 20,866	\$ 22,107	\$ (1,241)	\$ 23,952	\$ 20,836	\$ 3,116
8	JM GUERRERO ELEM.	\$ 25,358	\$ 25,935	\$ (577)	\$ 35,661	\$ 36,140	\$ (479)	\$ 30,227	\$ 29,774	\$ 453
9	INARAJAN ELEM.	\$ 10,067	\$ 10,097	\$ (30)	\$ 11,603	\$ 11,664	\$ (61)	\$ 13,129	\$ 11,644	\$ 1,486
10	JQ SAN MIGUEL ELEM.	\$ 7,649	\$ 9,481	\$ (1,832)	\$ 8,475	\$ 9,730	\$ (1,255)	\$ 9,065	\$ 10,255	\$ (1,190)
11	LB JOHNSON ELEM.	\$ 14,921	\$ 15,516	\$ (595)	\$ 26,395	\$ 26,305	\$ 91	\$ 26,949	\$ 22,948	\$ 4,000
12	MA ULLOA ELEM.	\$ 25,814	\$ 26,846	\$ (1,032)	\$ 28,480	\$ 29,319	\$ (839)	\$ 25,876	\$ 21,887	\$ 3,989
13	MU LUJAN ELEM.	\$ 18,218	\$ 19,998	\$ (1,779)	\$ 22,110	\$ 24,187	\$ (2,078)	\$ 16,954	\$ 16,484	\$ 471
14	MERIZO ELEM.	\$ 7,356	\$ 7,430	\$ (74)	\$ 10,955	\$ 10,919	\$ 36	\$ 9,728	\$ 8,466	\$ 1,262
15	ORDOT CHALAN PAGO ELEM.	\$ 24,078	\$ 24,893	\$ (815)	\$ 29,769	\$ 35,776	\$ (6,007)	\$ 27,032	\$ 35,714	\$ (8,681)
16	PC LUJAN ELEM.	\$ 16,264	\$ 16,446	\$ (182)	\$ 13,995	\$ 20,297	\$ (6,302)	\$ 15,551	\$ 19,195	\$ (3,644)
17	HB PRICE ELEM.	\$ 19,572	\$ 18,483	\$ 1,088	\$ 22,492	\$ 22,423	\$ 69	\$ 21,215	\$ 18,363	\$ 2,852
18	TALOFOFO ELEM.	\$ 9,192	\$ 9,231	\$ (40)	\$ 11,077	\$ 11,412	\$ (335)	\$ 11,099	\$ 9,530	\$ 1,568
19	TAMUNING ELEM.	\$ 26,460	\$ 28,457	\$ (1,997)	\$ 34,921	\$ 36,209	\$ (1,288)	\$ 36,480	\$ 33,671	\$ 2,809
20	UPI ELEM.	\$ 12,552	\$ 15,723	\$ (3,171)	\$ 20,952	\$ 27,256	\$ (6,304)	\$ 20,491	\$ 35,751	\$ (15,260)
21	WETTENGEL ELEM.	\$ 23,356	\$ 21,324	\$ 2,032	\$ 22,084	\$ 22,213	\$ (129)	\$ 17,641	\$ 15,310	\$ 2,331
22	DL PEREZ ELEM.	\$ 28,053	\$ 29,161	\$ (1,108)	\$ 27,415	\$ 29,285	\$ (1,870)	\$ 30,371	\$ 26,463	\$ 3,908
23	CHIEF BRODIE ELEM.	\$ 5,188	\$ 15,939	\$ (10,751)	\$ 5,744	\$ 15,261	\$ (9,517)	\$ 8,099	\$ 6,278	\$ 1,821
24	ASTUMBO ELEM.	\$ 17,174	\$ 12,897	\$ 4,277	\$ 17,819	\$ 17,858	\$ (39)	\$ 12,895	\$ 10,880	\$ 2,014
25	MACHANAO ELEM.	\$ 7,432	\$ 15,065	\$ (7,633)	\$ 8,597	\$ 20,720	\$ (12,123)	\$ 12,458	\$ 13,706	\$ (1,249)
26	LIGUAN ELEMENTARY	\$ 28,029	\$ 24,803	\$ 3,227	\$ 36,311	\$ 37,062	\$ (751)	\$ 40,072	\$ 33,598	\$ 6,474
27	ADACAO ELEMENTARY	\$ 3,520	\$ 3,671	\$ (152)	\$ 17,872	\$ 19,740	\$ (1,868)	\$ 14,545	\$ 12,837	\$ 1,708
ELEMENTARY SCHOOL		\$ 445,038	\$ 476,258	\$ (31,220)	\$ 556,607	\$ 619,490	\$ (62,883)	\$ 545,471	\$ 513,459	\$ 32,012
1	AUGUEDA MIDDLE	\$ 11,985	\$ 11,761	\$ 225	\$ 7,502	\$ 7,183	\$ 319	\$ 6,198	\$ 5,451	\$ 747
2	BENAVENTE MIDDLE	\$ 31,646	\$ 31,503	\$ 143	\$ 28,897	\$ 29,672	\$ (776)	\$ 20,876	\$ 19,186	\$ 1,690
3	FBLG MIDDLE	\$ 34,292	\$ 35,346	\$ (1,054)	\$ 35,351	\$ 35,044	\$ 307	\$ 24,388	\$ 23,157	\$ 1,231
4	INARAJAN MIDDLE	\$ 4,969	\$ 4,888	\$ 81	\$ 5,883	\$ 5,618	\$ 265	\$ 5,220	\$ 4,718	\$ 502
5	JOSE RIOS MIDDLE	\$ 20,116	\$ 19,657	\$ 459	\$ 24,489	\$ 24,209	\$ 280	\$ 27,294	\$ 23,337	\$ 3,957
6	LP UNTALAN MIDDLE	\$ 31,116	\$ 32,364	\$ (1,248)	\$ 21,289	\$ 21,160	\$ 129	\$ 21,288	\$ 18,550	\$ 2,738
7	OCEANVIEW MIDDLE	\$ 4,227	\$ 4,209	\$ 18	\$ 5,623	\$ 5,351	\$ 271	\$ 8,143	\$ 7,280	\$ 863
8	ASTUMBO MIDDLE	\$ 14,231	\$ 14,523	\$ (292)	\$ 21,284	\$ 21,056	\$ 228	\$ 23,549	\$ 20,099	\$ 3,450
MIDDLE SCHOOL SUBTOTALS		\$ 152,582	\$ 154,251	\$ (1,669)	\$ 150,317	\$ 149,294	\$ 1,023	\$ 136,955	\$ 121,777	\$ 15,178
1	G. WASHINGTON HIGH	\$ 11,680	\$ 11,643	\$ 37	\$ 12,531	\$ 12,175	\$ 356	\$ 8,026	\$ 6,829	\$ 1,197
2	J.F. KENNEDY HIGH	\$ 22,172	\$ 24,597	\$ (2,424)	\$ 17,985	\$ 17,352	\$ 633	\$ 14,449	\$ 12,583	\$ 1,866
3	S. SANCHEZ HIGH	\$ 53,216	\$ 53,132	\$ 84	\$ 59,108	\$ 56,434	\$ 2,674	\$ 45,530	\$ 38,777	\$ 6,753
4	SOUTHERN HIGH	\$ 22,094	\$ 21,368	\$ 726	\$ 18,049	\$ 17,334	\$ 715	\$ 12,423	\$ 10,563	\$ 1,859
5	OKKODO HIGH	\$ 58,424	\$ 56,118	\$ 2,307	\$ 47,097	\$ 44,882	\$ 2,215	\$ 27,632	\$ 24,206	\$ 3,426
HIGH SCHOOL SUBTOTALS		\$ 167,586	\$ 166,856	\$ 729	\$ 154,770	\$ 148,177	\$ 6,593	\$ 108,059	\$ 92,958	\$ 15,101
1	JP TORRES ALTERNATIVE	\$ 1,359	\$ 1,744	\$ (385)	\$ 2,967	\$ 3,110	\$ (143)	\$ 2,796	\$ 2,356	\$ 441
GRAND TOTALS		\$ 766,564	\$ 799,109	\$ (32,545)	\$ 864,661	\$ 920,071	\$ (55,410)	\$ 793,281	\$ 730,549	\$ 62,732

GRADE LEVEL	FY 2009		FY 2010		FY 2011	
	SHORTAGES	OVERAGES	SHORTAGES	OVERAGES	SHORTAGES	OVERAGES
ELEMENTARY SCHOOLS	\$ (43,171)	\$ 11,951	\$ (63,460)	\$ 578	\$ (30,024)	\$ 62,037
MIDDLE SCHOOLS	\$ (2,594)	\$ 925	\$ (776)	\$ 1,798	\$ -	\$ 15,178
HIGH SCHOOLS	\$ (2,424)	\$ 3,154	\$ -	\$ 6,593	\$ -	\$ 15,101
ALTERNATIVE SCHOOL	\$ (385)	\$ -	\$ (143)	\$ -	\$ -	\$ 441
GRAND TOTALS	\$ (48,574)	\$ 16,030	\$ (64,379)	\$ 8,969	\$ (30,024)	\$ 92,757

Appendix 5: Number of Meals Served

#	School Name	FY 2009			FY 2010			FY 2011		
		Breakfast	Lunch	TOTAL	Breakfast	Lunch	TOTAL	Breakfast	Lunch	TOTAL
1	AGANA HEIGHTS ELEM.	20,112	71,342	91,454	23,985	67,744	91,729	17,805	47,642	65,447
2	MARCIAL SABLAN ELEM.	34,281	64,397	98,678	32,900	65,695	98,595	32,436	59,104	91,540
3	B.P. CARBULLIDO ELEM.	23,054	65,903	88,957	19,669	62,847	82,516	20,615	49,143	69,758
4	C.L. TAITANO ELEM.	38,431	83,601	122,032	40,621	83,724	124,345	39,201	70,463	109,664
5	FQ SANCHEZ ELEM.	7,735	9,310	17,045	6,952	8,664	15,616	5,236	6,560	11,796
6	FINEGAYAN ELEM.	55,075	137,253	192,328	40,401	113,996	154,397	51,906	111,022	162,928
7	HS TRUMAN ELEM.	20,282	45,888	66,170	20,323	50,198	70,521	21,125	43,669	64,794
8	JM GUERRERO ELEM.	42,329	85,525	127,854	43,811	102,121	145,932	49,242	95,474	144,716
9	INARAJAN ELEM.	31,840	40,672	72,512	30,563	39,384	69,947	29,239	34,522	63,761
10	JQ SAN MIGUEL ELEM.	54,331	84,593	138,924	50,980	78,019	128,999	45,675	70,907	116,582
11	LB JOHNSON ELEM.	17,768	42,766	60,534	17,313	45,215	62,528	18,047	40,359	58,406
12	MA ULLOA ELEM.	47,738	114,508	162,246	37,354	99,229	136,583	40,101	90,423	130,524
13	MU LUJAN ELEM.	42,144	85,809	127,953	37,648	81,783	119,431	39,249	70,493	109,742
14	MERIZO ELEM.	23,715	34,578	58,293	20,044	35,336	55,380	20,920	30,170	51,090
15	ORDOT CH. PAGO ELEM.	26,920	69,484	96,404	26,786	74,017	100,803	24,527	64,514	89,041
16	PC LUJAN ELEM.	31,767	69,394	101,161	32,665	66,939	99,604	32,014	57,947	89,961
17	HB PRICE ELEM.	40,037	105,959	145,996	28,447	86,922	115,369	30,441	78,766	109,207
18	TALOFOFO ELEM.	22,133	33,242	55,375	22,198	35,011	57,209	20,203	32,827	53,030
19	TAMUNING ELEM.	34,727	85,926	120,653	29,477	82,674	112,151	26,840	70,986	97,826
20	UPI ELEM.	39,220	98,468	137,688	50,901	120,596	171,497	53,124	110,375	163,499
21	WETTENGEL ELEM.	35,014	86,713	121,727	46,242	94,567	140,809	43,368	82,774	126,142
22	DL PEREZ ELEM.	50,454	124,859	175,313	40,081	105,651	145,732	43,881	93,013	136,894
23	CHIEF BRODIE ELEM.	44,607	63,946	108,553	30,621	56,180	86,801	25,701	40,023	65,724
24	ASTUMBO ELEM.	47,280	88,113	135,393	42,051	85,912	127,963	38,054	69,135	107,189
25	MACHANAO ELEM.	40,488	64,893	105,381	39,214	74,523	113,737	32,032	61,300	93,332
26	LIGUAN ELEMENTARY	31,934	71,902	103,836	38,269	83,353	121,622	33,107	75,931	109,038
27	ADACAO ELEMENTARY	7,847	13,737	21,584	41,070	75,325	116,395	35,567	66,005	101,572
	Elementary totals	911,263	1,942,781	2,854,044	890,586	1,975,625	2,866,211	869,656	1,723,547	2,593,203
1	AGUEDA MIDDLE	32,021	50,911	82,932	36,190	53,271	89,461	38,433	51,461	89,894
2	BENAVENTE MIDDLE	31,724	105,025	136,749	36,477	109,732	146,209	39,445	101,864	141,309
3	FBLG MIDDLE	42,522	108,985	151,507	43,694	104,914	148,608	44,340	91,831	136,171
4	INARAJAN MIDDLE	23,895	34,509	58,404	28,491	43,145	71,636	31,405	44,403	75,808
5	JOSE RIOS MIDDLE	35,826	80,537	116,363	37,086	82,243	119,329	36,093	80,881	116,974
6	LP UNTALAN MIDDLE	23,284	90,024	113,308	24,444	60,442	84,886	26,191	54,396	80,587
7	OCEANVIEW MIDDLE	16,660	31,880	48,540	15,797	33,155	48,952	18,862	36,967	55,829
8	ASTUMBO MIDDLE	26,923	69,258	96,181	29,589	74,981	104,570	33,024	76,635	109,659
	Middle School totals	232,855	571,129	803,984	251,768	561,883	813,651	267,793	538,438	806,231
1	G.WASHINGTON HIGH	21,822	56,397	78,219	29,834	52,987	82,821	28,194	43,972	72,166
2	J.F.KENNEDY HIGH	2,398	49,850	52,248	21,476	40,353	61,829	24,006	48,352	72,358
3	S. SANCHEZ HIGH	36,111	112,606	148,717	35,048	97,355	132,403	35,291	73,261	108,552
4	SOUTHERN HIGH	19,204	49,443	68,647	20,399	42,884	63,283	24,472	48,988	73,460
5	OKKODO HIGH	31,388	102,903	134,291	33,655	75,632	109,287	32,660	64,067	96,727
	High School totals	110,923	371,199	482,122	140,412	309,211	449,623	144,623	278,640	423,263
1	JP TORRES ALTER.	11,640	12,161	23,801	13,662	14,196	27,858	12,097	12,506	24,603
	Grand Totals	1,266,681	2,897,270	4,163,951	1,296,428	2,860,915	4,157,343	1,294,169	2,553,131	3,847,300

Appendix 6:

GDOE and FSMC Operated School Cafeteria Listing⁵

GUAM DEPARTMENT OF EDUCATION
SCHOOL YEAR 2011-2012

SCHOOL CAFETERIAS AND SCHOOL STREET ADDRESSES			
School	Type of Kitchen		Street Address
	Preparation Site	Satellite	
DOE-operated			
1 Daniel L. Perez Elementary	■		400 Gayinero Drive, Yigo
Ordot/Chalan Pago Elementary	■		294 Judge Sablan Street, Ordot
2 1 Henry B Price Elementary		●	130 Dairy Road, Mangilao
2 J.Q. San Miguel Elementary		●	491 Clara Road, Mongmong-Toto
3 Wettengel Elementary	■		479 W. Santa Monica Avenue, Dededo
3 Ligan Elementary		●	237 Chalan Ligan, Dededo
Okkodo High School	■		660 Route 3, Dededo
4 4 AsTumbo Elementary		●	Chalan Hachon, AsTumbo, Dededo
5 "Rays of Hope" Center		●	Tamuning
Food Service Management Company (Sodexo)-operated			
1 Upi Elementary	■		1180 Chalan Pedrion Lagu (Route 15), Yigo
1 Astumbo Middle		●	389 Chalan Hachon, Dededo
Simon Sanchez High	■		395 Juan Jacinto Road, Yigo
2 2 F.B. Leon Guerrero Middle		●	445 Juan Jacinto Road, Yigo
3 Machananao Elementary		●	Route 3, Yigo
3 Maria A. Ulloa Elementary	■		110 Catalina Lane, Dededo
4 Vicente S. Benavente Middle	■		288 W. Santa Monica Avenue, Dededo
4 Finegayan Elementary		●	194 Chalan Kasperbauer Road, Dededo
5 Juan M. Guerrero Elementary	■		520 Harmon Loop Road, Harmon
5 Adacao Elementary		●	340 Carnation Avenue, Latte Heights, Dededo
Tamuning Elementary	■		554 Chalan San Antonio Road, Tamuning
6 Lyndon B. Johnson Elementary		●	140 Felis Street, Tamuning
7 Chief Brodie Elementary		●	225 N. Marine Corps Drive, Tamuning
8 John F. Kennedy High		●	331 N. Marine Corps Drive, Tamuning
7 George Washington High	■		298 George Washington Drive, Mangilao
9 Manuel U. Lujan Elementary		●	167 M.U. Lujan Road, Yona
L.P. Untalan Middle	■		270 Route 10, Barrigada
8 10 P. C. Lujan Elementary		●	387 E. Route 8, Barrigada
11 B. P. Carbullido Elementary		●	156 Canada Toto Road, Barrigada
Agueda I. Johnston Middle	■		192 Dero Drive, Ordot
9 12 Agana Heights Elementary		●	350 J. Cruz Street, Agana Heights
13 Carlos L. Taitano Elementary		●	170 Bien Venida Avenue, Sinajana
10 Jose L.G. Rios Middle	■		165 Spruance Drive (Route 6), Piti
Southern High	■		195 Pale Ferdinand, Santa Rita
14 Oceanview Middle		●	184 Erskin Drive, Agat
11 15 J. P. Torres Alternative		●	189 Chalan Pale Duenas, Santa Rita
16 Harry S. Truman Elementary		●	182 Pale Ferdinand Way, Santa Rita
17 Marcial Sablan Elementary		●	144 San Vicente Avenue, Agat
Inarajan Middle	■		433 Belen Avenue, Inarajan
12 18 Inarajan Elementary		●	136 Pale Bernabe Cruz Road, Inarajan
19 Talofoto Elementary		●	209 Jose P. Cruz Street, Talofoto
13 Merizo Elementary	■		J.A. Cruz Avenue, Pigua Street, Merizo

⁵ Rays of Hope Center is not a GDOE school and is part of the Department of Mental Health and Substance Abuse.



DEPARTMENT OF EDUCATION
OFFICE OF THE SUPERINTENDENT

www.gdoe.net
P.O. Box D.E., Hagatña, Guam 96932
Telephone: (671)475-0457 or 300-1547/1536•Fax: (671)472-5001
Email: jonfernandez@gdoe.net



JON J. P. FERNANDEZ
Superintendent of Education

December 26, 2012

Doris Flores Brooks
Public Auditor
Office of Public Accountability
238 Archbishop FC Flores St
Hagatna, Guam 96910

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY
BY: C. Roque
DATE: 12/26/12
TIME: 11:00 AM PM

Re: Cash Controls over School Lunch Program

Dear Ms. Brooks,

This is in response to your letter dated December 11, 2012 regarding Guam Department of Education's (GDOE) Cash Controls Over School Lunch Program. Our comments to the report are as follows:

Recommendations:

- 1. Establish a uniform accounting policy for school meals to include segregation of duties, report reconciliation, etc.

GDOE is currently updating its existing Food and Nutrition Service Standard Operating Procedures (SOP) to be in-line with the new Financial Management Information System (FMIS) and to ensure that designated staff assigned to the school lunch program are properly trained and that there will be strict adherence to the segregation of duties. This SOP will include designation of specific school personnel assigned to perform such tasks. As part of the SOP, the Food and Nutrition Services would need to be notified of any changes of to designated personnel occurring at the school sites so training can be provided to these individuals.

- 2. Require GDOE Business Office and Food and Nutrition Services Management Division to reconcile the Cash Receipts Report and Summary of Monthly Meal Count Reports.

GDOE agrees and will ensure that both the Business Office and the Food and Nutrition Services Management Division collaborate to ensure to reconcile reports on a regular basis.

- 3. Designate a person to be responsible for the overall School Meals Program.

In August 2012, GDOE hired a Food and Nutrition Services (FNS) Administrator who will be responsible for the operations of the Food and Nutrition Services Management Division (FNSMD) and for developing and administering USDA Child Nutrition and Food Distribution Programs. For several years, GDOE has had challenges filling this position because of the lack of applicants.

Appendix 7:
GDOE Management's Response

Page 2 of 2

Subject: Cash Controls Over School Lunch Program
December 26, 2012
Page 2 of 2

The Department would like to thank you for this opportunity to respond to your audit report.

Senseramente,



JON J. P. FERNANDEZ

Cc: Deputy Superintendent, Finance and Administrative Services
Administrator, Food and Nutrition Services
Administrator, Federal Programs
Chief Internal Auditor

Appendix 8:
Status of Audit Recommendations

Audit Recommendation	Status	Action Required
To the Superintendent of the Department of Administration:		
1 Develop an official policy for accounting meals and collecting cash inclusive of standard formal training.	Open.	Please provide a timeline for completion of updated SOP for the school meals program. When completed, please provide a copy of updated SOP.
2 Require GDOE Business Office and FNSMD to reconcile the Cash Receipts Report and Summary of Monthly Meal Count Reports.	Open.	Please provide target date and title of the official(s) responsible for implementing the recommendation.
3 Designate a person to be responsible for the overall school meals program.	Closed.	No further action required.

