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OFFICE OF THE SUPERINTENDENT

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JON J.P. FERNANDEZ
Superintendent of Education

GL# 34-KO-1724
Speaker Benjamin J.F. Cruz

APR 09 2018
Time: 8:34 AM PM File No. 34-1750
Received By:

April 4, 2018

Mr. Edward Birn
Acting Director
Department of Administration
P.O. Box 884
Hagatña, Guam 96932

Re: Guahan Academy Charter School: FY 2018 March 2018 (BOG Special #2) Allotment Request

Hafa Adai Mr. Birn,

Upon review of the Guahan Academy Charter School Fiscal Year 2018 March 2018 (BOG Special #2) Allotment Request by our Internal Audit Office in collaboration with members of the Guahan Academy Charter School Incorporated, I am unable to submit my verification of accuracy as required by Public Law 34-42, Chapter II, Section 3 in its entirety.

Our Internal Audit Office was able to validate **$0** of the invoiced total. Please see the attached verification report. This validation is based on actual invoices submitted to our Internal Audit Office on March 30, 2018.

Please advise my office if you have any further questions or concerns regarding this matter.

Sincerely,

JON J.P. FERNANDEZ
Superintendent of Education

Attachment

Cc: Chairman and Members, Guam Education Board
Speaker, 34th Guam Legislature
Guahan Academy Charter School

2018 APR -9 AM 8:36

1724

JON J.P. FERNANDEZ
Superintendent of Education

DEPARTMENT OF EDUCATION
INTERNAL AUDIT OFFICE

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FRANKLIN COOPER-NURSE
Chief Internal Auditor

April 4, 2018

MEMORANDUM

TO: Jon J.P. Fernandez, Superintendent of Education

CC: Taling M. Taitano, Deputy Superintendent of Finance and Administrative Services

FROM: Franklin J.T. Cooper-Nurse, Chief Auditor, Internal Audit Office

SUBJECT: March 2018 Review of Guahan Academy Charter School Inc.'s Invoices

Hafa Adai,

The Guam Department of Education (GDOE) Internal Audit Office (IAO) has completed its review of Guahan Academy Charter School (GACS)'s second partial BOG special allotment request for March 2018. GDOE (IAO) is authorized by Public Law (PL) 34-42 to verify charter school invoices for accuracy and report its findings within 10 days.

On March 30, 2018, IAO received the Department of Administration's transmittal for GACS's March 2018 Special #2 Allotment Request (BOG) of $170,484.19. Based on the allotment request, the total amount was for repayment of a Bank of Guam loan. GACS used the loan to pay a vendor for construction supplies and materials. In accordance with Title 17 of the Guam Code Annotated (GCA) §12116, "no capital improvement funds shall be awarded to a non-converted public school for the purpose of constructing, reconstructing or improving said school." Therefore, the IAO validated **$0** of GACS's allotment request.

Additionally, the Bank of Guam loan was procured through a Request for Proposal (RFP). Per 5 GCA §§5216 and 5121(a), RFPs are used for the procurement of professional services such as accountants, physicians, lawyers, dentists, licensed nurses, other licensed health professionals and other professionals. IAO questions whether an RFP is a proper procurement method for soliciting bank financing.

Further, various deficiencies were identified, such as: (1) an incomplete procurement record (i.e. evaluation of proposal and notice of intent to award were not provided); and (2) the awarded offeror's proposal could be deemed late or non-responsive based on the RFP packet's deadline for proposals.

Table 1: March 2018 Allotment Request Invoices (BOG Special #2)

	A	B	C	(B-C) = D
Object Class	GACS Drawdown	Submitted Invoices	IAO's Validation	Difference
Personnel Salaries	$ -	$ -	$ -	$ -
Benefits	$ -	$ -	$ -	$ -
Contractual	$ -	$ -	$ -	$ -
Supplies & Materials	$ -	$ -	$ -	$ -
Student Material	$ -	$ -	$ -	$ -
Power	$ -	$ -	$ -	$ -
Water	$ -	$ -	$ -	$ -
Telephone & Wireless	$ -	$ -	$ -	$ -
Miscellaneous	$ 170,484.19	$ 170,484.19	$ -	$ 170,484.19
TOTAL	$ 170,484.19	$ 170,484.19	$ -	$ 170,484.19

PL 34-42 provides $6,500 for each student up to 740 students or a total of $4,810,000. However, due to revenue shortfalls from tax cuts, GACS's Fiscal Year (FY) 2018 appropriations were reduced by $416,719[1] for a revised appropriation of $4,393,281. For FY 2018, IAO validated $2,276,759.43 of expenditures, leaving a balance of $2,116,521.57 of unexpended funds. As of March 29, 2018, 895 students were enrolled in GACS. See Tables 2 and 3.

Table 2: FY 2018 Validation Summary

	A	B	C	(B-C) = D
Month	GACS Drawdown	Submitted Invoices	IAO's Validation	Difference
Oct 2017 (Partial)	$ 223,949.48	$ 223,949.48	$ 223,949.48	$ -
Oct 2017 (Partial #2)	$ 181,025.77	$ 181,025.77	$ 116,189.14	$ 64,836.63
Nov 2017 (Partial)	$ 109,713.81	$ 109,713.78	$ 109,713.78	$ -
Nov 2017 (Partial #2)	$ 110,662.47	$ 110,662.47	$ 110,662.47	$ -
Dec 2017 (Partial)	$ 125,065.99	$ 125,065.99	$ 125,065.99	$ -
Dec 2017 (Partial #2)	$ 113,142.58	$ 113,142.58	$ 105,782.74	$ 7,359.84
Dec 2017 (Partial #3)	$ 468,515.60	$ 468,515.60	$ -	$ 468,515.60
Dec 2017 (Partial #4)	$ 179,258.25	$ 179,258.25	$ 179,258.25	$ -
Jan 2018 (Partial #1)	$ 146,654.61	$ 146,654.61	$ 122,064.36	$ 24,590.25
Dec 2017 (Final)	$ 182,255.86	$ 182,255.56	$ 178,264.76	$ 3,990.80
Jan 2018 (Partial #2)	$ 350,000.00	$ 350,000.00	$ -	$ 350,000.00
Jan 2018 (Partial #3)	$ 107,998.48	$ 107,998.48	$ 107,998.48	$ -
Jan 2018 (Partial #4)	$ 206,542.11	$ 206,288.83	$ 206,079.23	$ 209.60
Feb 2018 (Partial #1)	$ 124,744.17	$ 124,744.17	$ 124,744.17	$ -
Feb 2018 (Partial #2)	$ 243,880.82	$ 243,880.82	$ 243,880.82	$ -
Mar 2018 (Partial #1)	$ 188,314.19	$ 188,314.19	$ 180,914.19	$ 7,400.00
Mar 2018 (Partial #2)	$ 142,191.57	$ 142,191.57	$ 142,191.57	$ -
Mar 2018 (Special #2)	$ 170,484.19	$ 170,484.19	$ -	$ 170,484.19
Total (FY 2018)	**$ 3,374,399.95**	**$3,374,146.34**	**$ 2,276,759.43**	**$ 1,097,386.91**

[1] Bureau of Budget and Management Research (2018, January 24). *FY 2018 general fund appropriation reductions-tax cuts and jobs act of 2017*

		GACS Max. Budget	$ 4,810,000.00
		Less: Appropriations	
Funding Per Student	$ 6,500	reduction	(416,719.00)
Maximum Enrollment	740	Revised Budget	$ 4,393,281.00
GACS Maximum Budget	$4,810,000	Less: IAO's Validations	(2,276,759.43)
		Remaining Funds	$ 2,116,521.57

Table 3: FY 2018 GACS Enrollment

	Grade Level														
Months	1	2	3	4	5	6	7	8	9	10	11	12	K	PK	Total
Oct-17	82	97	99	94	77	91	87	56	42	33	31	34	69	65	957
Nov-17	81	96	97	94	75	91	85	56	42	33	30	34	67	65	946
Dec-17	81	96	96	93	75	90	84	55	41	31	30	35	67	64	938
Jan-18	77	95	95	92	74	89	84	54	41	31	29	31	67	64	923
Feb-18	76	93	93	90	72	88	81	52	41	30	28	32	66	64	906
Mar-18	76	92	93	88	72	87	79	52	41	30	28	32	62	63	895
Average	**79**	**95**	**96**	**92**	**74**	**89**	**83**	**54**	**41**	**31**	**29**	**33**	**66**	**64**	**928**

Should you have any questions or concerns, please contact Leana Willess at 300-3697 or lmwilless@gdoe.net, and Franklin Cooper-Nurse at 300-1336 or fjtcooper-nurse@gdoe.net.

Appendix 1: GACS March 2018 (BOG Special #2) Allotment Request Invoice

Object Code and Class	Reference	Vendor	Invoice #	Invoice Date	Invoice Amount	Validated	Validated Amount
290 Miscellaneous	R-2.1	Bank of Guam			$ 170,484.19		$ -
						Total	**$ -**