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Juan Flores, Superintendent
Office of the Superintendent
Guam Department of Education
P.O. Box DE
Hagåtña, Guam 96932

Dear Superintendent Flores:

This Final Audit Report, entitled *Guam Department of Education's Reported Costs for Consolidated Grants to Insular Areas and the Special Education Grants to States-Part B*, presents the results of our audit. The purpose of the audit was to confirm that selected personnel costs and purchases that Guam Department of Education (GDOE) reported as expenditures for the Consolidated Grants to Insular Areas (Consolidated Grants) and Special Education Grants to States-Part B (Special Education Grants) in its Special Conditions Compliance Reports for the Quarter Ended March 31, 2004 were for services provided and purchases used for the program purposes specified in the grant awards and the expenditures complied with applicable Federal laws and regulations.

BACKGROUND

On September 17, 2003, the U.S. Department of Education (Department) designated GDOE as a high-risk grantee because GDOE had not submitted timely and complete single audit reports. One of the special conditions as a high-risk grantee was that GDOE provide detailed quarterly reports of the expenditures for each Federally funded program and the progress of significant aspects of each program.

The Special Conditions Compliance Reports for the Quarter Ended March 31, 2004 included reports for three Consolidated Grants (Grant Nos. S922A010002, S922A020002, and S922A030002) and three Special Education Grants (Grant Nos. H027A010069A, H027A020069A, and H027A030069A). The table below shows the reported amounts for each of the grants:

Table 1. Amounts Reported for the Quarter Ended March 31, 2004			
Award Year	Grant Award Period (a)	Consolidated Grants	Special Education Grants
2001	7/1/2001 to 9/30/2002	\$ 7,407 (b)	\$ 4,622
2002	7/1/2002 to 9/30/2003	4,222,400	3,238,367
2003	7/1/2003 to 9/30/2004	512,657	917
Total		\$4,742,464	\$3,243,906
(a) The Tydings Amendment (20 U.S.C. § 1225(b)) extended the available period for use of the funds for an additional year after the award period.			
(b) Amount reported was net of a \$1,495 reduction in previously reported expenditures.			

GDOE operates 26 elementary schools, 5 middle schools, 4 high schools, and an alternative school. For award year 2003, GDOE received a Consolidated Grant for \$20.6 million and a Special Education Grant for \$12.9 million.

AUDIT RESULTS

We concluded that GDOE included expenditures in its Special Conditions Compliance Reports for the Quarter Ended March 31, 2004 that were improperly charged to the Consolidated Grants and Special Education Grants. We also found that GDOE did not have required documentation for personnel costs charged to the grants and GDOE's inventory records did not reflect the current location of some equipment purchases. Attachments 1 and 2 provide summaries of our review of selected transactions.

GDOE did not agree with our finding that it improperly charged the Consolidated Grants and Special Education Grants for the entire costs of transactions when portions of the costs were allocable to other activities. GDOE generally concurred with the other findings and recommendations presented in this final report. GDOE's comments and the OIG's response, when applicable, are summarized at the end of each finding. The full text of GDOE's comments is included as Attachment 3.

FINDING NO. 1 – GDOE Improperly Charged Costs to the Grants

GDOE improperly charged the Consolidated Grant awarded for the period July 1, 2001 through September 30, 2002 for costs obligated and paid after expiration of the available period for use of the funds. GDOE also improperly charged a Special Education Grant for a purchase that was not necessary to the operation of the grant and charged the total costs of purchases for supplies and materials, capital outlay, equipment, and contractual services to the grants when portions of the costs were allocable to other activities.

GDOE Charged \$8,902 to a Consolidated Grant With an Expired Availability Period

The regulation at 34 C.F.R. § 80.23 states “[w]here a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.” GDOE charged the Consolidated Grant awarded for the period July 1, 2001 through September 30, 2002 for \$8,902 of costs that were obligated and paid after September 30, 2003, the last day that the funds were available for use by GDOE. GDOE staff acknowledged that the costs were improperly charged to the expired grants. Past single audit reports disclosed similar improper charges to expired grants. In June 2004, GDOE informed its auditors that, by December 31, 2004, GDOE would implement revisions to its policies and procedures manual to ensure that available appropriation balances in its accounts are adjusted timely so grant funds are not used after expiration of the period of availability.

GDOE also reported expenditures for the Consolidated Grant and Special Education Grant for the period July 1, 2001 through September 30, 2002 on the Special Conditions Compliance Reports for the Quarter Ended December 31, 2003. (The December 31, 2003 quarterly report shows \$15,359 of expenditures for the Consolidated Grant and \$92,830 of expenditures for the Special Education Grant.) Given our finding and the findings in past single audits, there is a significant risk that expenditures included in the December 31, 2003 quarterly reports may include costs obligated and paid after September 30, 2003.

GDOE Charged \$6,380 for a Purchase That Was Not Necessary to the Operation and Performance of the Special Education Grant

The regulation at 34 C.F.R. § 80.20(b)(5) states “[a]pplicable OMB [Office of Management and Budget] cost principles, agency program regulations, and the terms of [the] grant . . . will be followed in determining the reasonableness, allowability, and allocability of costs.” The cost principles applicable to the grants are contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. OMB Circular A-87, Attachment A, Paragraph C.1 lists the factors affecting allowability of costs. These factors include that costs must be “necessary and reasonable for proper and efficient performance and administration of Federal awards.”

Of the 19 selected non-personnel transactions reviewed for the Special Education Grants, we found that the purchase for one transaction, reported as a capital outlay, was for purposes unrelated to the grant. GDOE charged the grant \$6,380 for a transaction under Purchase Order No. 200301894 for a 45-foot storage container for the Ordot Chalan Pago Elementary School even though the school had notified GDOE’s Special Education Division that the container was not needed. We found that the container was being used to store theater equipment at the Gifted and Talented Education (GATE) Theater. This purchase was not a proper use of the Special Education Grant.

GDOE Charged the Entire Costs of Transactions to the Grants When Portions of the Costs Were Allocable to Other Activities

Another factor affecting the allowability of costs that is listed in OMB Circular A-87, Attachment A, Paragraph C.1 is that costs must be “allocable to Federal awards under the provisions of this Circular” OMB Circular A-87, Attachment A, Paragraph C.3.a states that a cost is allocable to a particular cost objective¹ if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. OMB Circular A-87 also states that government units need to have a process whereby costs that were incurred for a common purpose benefiting more than one cost objective, or not readily assignable to the cost objectives specifically benefited, can be identified and assigned to benefited activities on a reasonable and consistent basis. The Circular provides two methods: cost allocation plans and indirect cost rates.

We found that GDOE did not have procedures that allowed the allocation of vendor payments to two or more funding sources. Also, GDOE did not have cost allocation plans or indirect cost rates. As a result, purchases allocable to other programs or used for common purposes were charged directly to Consolidated Grants and Special Education Grants even though other programs or activities may have benefited directly or indirectly from the purchases. Of the 13 non-personnel transactions reviewed for the Consolidated Grants and the 19 non-personnel transactions reviewed for the Special Education Grants, we found that six transactions for the Consolidated Grants and two transactions for the Special Education Grants were entirely charged to the grants when portions of the costs were allocable to other activities. These eight transactions are summarized below.

Consolidated Grants – Supplies and Materials. GDOE charged a grant \$13,340 for a transaction under Purchase Order No. 200400078 for SAT 9 test booklets. We identified another 13 transactions under the same purchase order that charged the grants for additional test booklets. The 14 transactions totaled \$52,019.

GDOE may charge Consolidated Grants for the test booklets since GDOE's Consolidated Grant Applications included use of the SAT 9 test for standards and assessment in its plan to improve student skills in reading, math, and language arts. However, the SAT 9 test booklets were also used for local purposes. Guam Public Law 26-26 Section 3105(a) states “[t]he Superintendent shall collect data and produce annual school performance reports containing information on student performance” GDOE’s Administrator for Research, Planning & Evaluation informed us that the SAT 9 test accounts for 60 percent of the measure for student performance. Thus, the \$52,019 cost of the test booklets should be paid, in part, with local funds.

¹ A cost objective is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

Consolidated Grants – Capital Outlay. GDOE charged the grant for laptop computers and printers that were used by employees providing services to other Federal programs and/or GDOE's general student and employee populations.

- GDOE charged a grant \$74,520 for a transaction under Purchase Order No. 200301474 for 30 laptop computers (\$2,484 each). GDOE's records showed that 27 computers were assigned to 12 schools, and according to GDOE's accounting staff, the principal in each school received one of the computers.² The three remaining computers were assigned to the Property Control Manager for the Receiving Warehouse, the Personnel Administrator, and the Data Processing Manager for Financial Student Administration Information Services. The cost of the 15 computers used by the Reading Coordinators in the schools was properly charged to the Consolidated Grant. However, since the school principals and the other GDOE employees provide services to the general student and employee populations, the \$37,260 cost of the other 15 computers (12 for the principals and 3 for other GDOE employees) should have been paid, in part, with local funds and, if applicable, other Federal program funds.
- GDOE charged a grant \$27,580 for a transaction under Purchase Order No. 200301474 for 70 printers (\$394 each). GDOE's records showed that 60 printers were assigned to 26 schools and a reading center. The principal at each school received one of the printers.³ We located one of the printers in GDOE's Federal Programs Office and a total of seven printers in GDOE's Business Office, Internal Audit Office, Personnel Office, Curriculum and Instruction Office,⁴ and Receiving Warehouse. We were unable to locate three printers, including the printer assigned to the principal at Finegayan Elementary School.

The cost of the 35 printers used in the classrooms, reading laboratories, and Federal Programs Office⁵ were properly charged to the Consolidated Grants. However, the \$12,608 cost of 32 printers (25 for the principals⁶ and 7 for other GDOE employees) should have been paid, in part, with local funds and, if applicable, other Federal program funds since the school principals and the other GDOE employees provided services to the general student and employee populations. (The cost of the three printers that we were unable to locate is included in Recommendation 3.1 under FINDING NO. 3.)

In total, \$49,868 (\$37,260 + \$12,608) was not properly allocated among the activities that benefited from the equipment purchases reported as capital outlays on the quarterly report.

² Site visits at three schools confirmed that principals were using the computers purchased by this transaction and that the other computers assigned to the schools were being used solely for program purposes.

³ Site visits at five schools confirmed that principals were using the printers purchased by this transaction and that the other printers assigned to the schools were being used solely for program purposes.

⁴ GDOE's Curriculum and Instruction Office coordinates curriculum development and provides support for program and staff development.

⁵ GDOE's Federal Program Office administers the Consolidated Grants.

⁶ The 25 printers assigned to the principals do not include the one printer that we could not locate which was assigned to the principal in Finegayan Elementary School.

Consolidated Grants – Equipment. GDOE charged grants for software packages and printers being used by units that provided services to the general student and employee populations and/or other Federal programs.

- GDOE charged a grant \$2,076 for a transaction under Purchase Order No. 200301464 for 12 copies of MS Publisher 2002 Software. Eight of the 12 copies (costing a total of \$1,384) were used by the Curriculum and Instruction Office, Chamorro Studies Office,⁷ Internal Audit Office, Receiving Warehouse, Personnel Office, and Business Office.
- GDOE charged a grant \$1,260 for a transaction under Purchase Order No. 200301470 for six copies of MS Office XP Software. One copy (costing \$210) was used by the Business Office.
- GDOE charged a grant \$1,899 for a transaction under Purchase Order No. 200301470 for six printers. One printer (costing \$317) was used by the Business Office.

In total, \$1,911 (\$1,384 + \$210 + \$317) was not properly allocated among the activities that benefited from the software and printer purchases reported under equipment on the quarterly reports. The purchases should have been paid, in part, with local funds and, if applicable, other Federal program funds.

Special Education Grants – Contractual Services. GDOE charged a grant \$4,150 for a transaction under Purchase Order No. 200400211 for a trainer to provide instruction to GDOE staff at 16 schools on the use of Curriculum Director, (a test question database). The database was used to monitor student progress and assist in aligning curriculum with the standardized test. We identified additional transactions charged to the grant under the same purchase order for \$3,214 for travel and \$640 for training materials. The Administrator for Research, Planning & Evaluation informed us that the test questions were for special education students, English language learners, and regular students. The purchases, totaling \$8,004, should have been paid, in part, with local funds and, if applicable, other Federal program funds.

Special Education Grants – Equipment. GDOE charged a grant \$3,460 for a transaction under Purchase Order No. 200400212 for 10 Motorola handheld receivers (\$346 each). The receivers were assigned to the school principal, four vice principals, school secretary, custodian, and three aides at John F. Kennedy High School.⁸ Except for the vice principal that oversaw the Special Education program, the other high school personnel provided services to the general student population. The \$3,114 cost of nine receivers should have been paid, in part, with local funds and, if applicable, other Federal program funds.

Recommendations

We recommend that the Chief Financial Officer, in collaboration with the Assistant Secretary for Elementary and Secondary Education and the Assistant Secretary for Special Education and Rehabilitative Services, require GDOE to—

⁷ GDOE's Chamorro Studies Office administers educational programs on the language and culture of the indigenous people of Guam.

⁸ The aides were campus safety monitors and their salaries were paid with local government funds.

- 1.1 Return to the Department the \$8,902 for costs obligated and paid after September 30, 2003 that were charged to the Consolidated Grant awarded for the period July 1, 2001 through September 30, 2002.
- 1.2 Review costs reported on the Special Conditions Compliance Reports for the Quarter Ended December 31, 2003 for the Consolidated Grant and Special Education Grant awarded for the period July 1, 2001 through September 30, 2002 to identify any costs obligated and paid after September 30, 2003 and return those amounts to the Department.
- 1.3 Submit its procedures that were implemented to ensure that available appropriation balances in its accounts are adjusted timely so that grant funds are not used after expiration of the period of availability.
- 1.4 Reimburse the Special Education Grant account for the \$6,380 cost of the storage container.
- 1.5 Identify the portions of the \$103,798 (\$52,019 + \$49,868 + \$1,911) charged to the Consolidated Grants and \$11,118 (\$8,004 + \$3,114) charged to the Special Education Grants for purchases that should have been paid, in part, with local funds and, if applicable, other Federal program funds, and return those amounts to the respective grants.
- 1.6 Identify all transactions charged to the Consolidated Grants and the Special Education Grants since October 1, 2003 that should have been paid, in part, with local funds or other Federal program funds, and return those amounts to the respective grants.
- 1.7 Implement procedures that allow the allocation of vendor payments to two or more funding sources.
- 1.8 Develop, and submit to the Federal cognizant agency for approval, cost allocation plans or indirect cost rate proposals for October 1, 2003 through September 30, 2004 and future periods.

GDOE Comments

Expired Availability Period. GDOE concurred that \$8,902 was charged to the Consolidated Grant after the expiration of the period of availability and stated that GDOE had already begun to institute procedures to prevent charges to expired grants.

GDOE's comments also addressed a finding in the draft report on the use of funds after the period of availability of a Special Education Grant. While the GDOE initially had charged payroll costs to the expired grant, GDOE provided us with documents to show that a journal entry was processed in April 2004, which properly transferred the costs to another grant. We deleted the finding from the report since GDOE had identified and corrected the improper charge prior to our review. In its comments on the draft report, GDOE explained how the improper payroll charge occurred and the steps it has taken to prevent payroll charges from being charged to expired grants.

Unnecessary Purchase of \$6,380 for Special Education Grant. GDOE concurred that the storage container was not necessary to the operation and performance of the Special Education Grant. GDOE stated that journal entries will be processed to adjust the Special Education Grant and charge the cost of the storage container to the appropriate Consolidated Grant.

Charges That Were Allocable to Other Activities. GDOE disagreed that a portion of purchases for supplies and materials, capital outlay, equipment, and contractual services should be paid, in part, with local or other funds.

- *Consolidated Grants – Supplies and Materials.* GDOE stated that costs associated with its Research, Planning & Evaluation Unit, which administers the SAT 9 tests and prepares annual school performance reports, were paid with local funds. Thus, local funds were expended to carry out the cited section of the Guam Public Law.
- *Consolidated Grants – Capital Outlays and Equipment.* GDOE stated that computer and printer purchases for principals were allowed by the Consolidated Grant and that computer technology (computers, printers, software, and related accessories) was a necessary tool for principals to administer the grant and vital to the success of a school improvement program.

GDOE stated that the computer and printer purchases for the other employees were allowed under the Consolidated Grant because the employees expended time on activities related to the administration of the grant (processing personnel actions and purchase orders, receiving and disbursing materials, etc.). GDOE also stated that the efficiencies provided by the computers ensured that human and material resources were provided in a timely manner to schools and divisions responsible for implementing the Consolidated Grant programs.

- *Special Education Grant – Contractual Services.* GDOE acknowledged that other students, besides students with disabilities, benefited from the Curriculum Director training, but stated that the expenditure of Special Education Grant funds was justified. GDOE stated that students with disabilities, who attended the 16 public schools where staff received the training, benefited because school staff learned how to use disaggregated student performance data in developing school intervention plans. GDOE also noted that school staff, who attended the training and used the Curriculum Director software on a continuing basis, were paid with local funds.
- *Special Education Grants – Equipment.* GDOE explained that John F. Kennedy High School provides services to students with disabilities residing within its boundaries and provides a regional program for students who are deaf or hard of hearing. GDOE stated that the Special Education Grant funds expended to provide Motorola hand-held receivers were provided to assist the high school in addressing the overall supervision responsibility for all students, including the students with disabilities. GDOE claimed that the placement of regional programs on regular school campuses resulted in increased administrative responsibilities for the schools and, if schools are not provided benefits, the regional programs would become unwelcome and eventually not allowed on the school campus.

GDOE also stated that the cost of the hand-held receivers was just a portion of the total costs expended by GDOE to provide a safe and secure campus for all students and noted that the personnel assigned the receivers were paid with local funds.

OIG Response

Unnecessary Purchase of \$6,380 for Special Education Grant. In the draft report, we stated that GDOE could charge the storage container purchase to the Consolidated Grants since the GATE program was administered under those grants. Prior to charging the \$6,380 to the Consolidated Grant, GDOE will need to confirm that the applicable GDOE Consolidated Grant Application included the purchase of the storage container as part of its operation of the GATE program and that funding is available under the applicable Consolidated Grant. Thus, we have removed the statement from the final report and revised Recommendation 1.4.

Charges That Were Allocable to Other Activities. We have not changed our conclusions and recommendations related to this part of the finding. GDOE comments confirmed that the purchases for supplies and materials, capital outlay, equipment, and contractual services were for activities that benefited both the students targeted by the Consolidated Grants and Special Education Grants and the general student population. Given that GDOE did not have cost allocation plans or indirect cost rates, it is reasonable to conclude that some activities fully paid with local funds may have benefited the targeted students. However, since our review was limited to reported grant expenditures, we have no information available to confirm GDOE's comments regarding its use of local funds.

Since it did not allocate the individual vendor payments based on benefits received and did not have an approved cost allocation plan or indirect cost rate, GDOE will need to review expenditures from Consolidated Grant funds, Special Education Grant funds, local funds, and other funding sources to assess whether the Consolidated Grants and Special Education Grants were charged in accordance with the relative benefits received. As an alternative, GDOE could implement Recommendations 1.5 and 1.6 to ensure that the Consolidated Grants and Special Education Grants were only charged in accordance with the benefits received.

FINDING NO. 2 – GDOE Did Not Have Required Documentation for Personnel Costs Charged to the Grants

GDOE did not have required periodic certifications for employees charging 100 percent of their time to the Consolidated Grants and Special Education Grants. For employees working solely on a single Federal award, OMB Circular A-87, Attachment B, paragraph 8.h (3) states—

[C]harges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

For employees working on multiple activities, OMB Circular A-87, Attachment B, paragraph 8.h (4) states—

[A] distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system . . . or other substitute system has been approved by the cognizant Federal agency.

Paragraph (5) lists the required elements for personnel activity reports and the provisions for using budget estimates for interim accounting.

During the period from January 1 to March 31, 2004, GDOE charged personnel costs for 805 employees, totaling \$3,297,318, to the Consolidated Grants and personnel costs for 478 employees, totaling \$2,831,963, to the Special Education Grants.⁹ The personnel costs for these employees were charged 100 percent to the respective grants. GDOE accounting staff informed us that GDOE had not implemented the required periodic certifications for employees charging 100 percent of their time to Federal grants.

We selected 51 of the 805 employees whose personnel costs were charged to the Consolidated Grants and 56 of the 478 employees whose personnel costs were charged to the Special Education Grants to confirm whether they performed services for the program purpose and to assess whether the employees worked 100 percent on the grants. Other than the few instances noted below, we concluded that the personnel costs charged 100 percent to the grants appeared reasonable. The interviewed employees orally confirmed that they expended 100 percent of their time on activities related to the respective grant. Also, the numbers of staff working in the GDOE units were about the same as the numbers whose personnel costs were charged to the grants during the audit period and the employees were located in space or a building dedicated to grant activities.

We noted the following instances where staff did not expend 100 percent of their time on activities related to the grants:

- A program coordinator, an administrative assistant, and three accounting technicians informed us that, in addition to performing work on the Consolidated Grants, they processed applications and awarded scholarships for the Robert C. Byrd Scholarship Program (another Federal program). The staff stated that they spent a minimal amount of time on the scholarship program. The personnel costs for the five employees totaled \$40,975.
- Nine school aides at John F. Kennedy High School, who provided one-to-one support for students with disabilities, informed us that, after completing grant-related activities, they performed general school tasks, such as assisting in student supervision, answering phones, and light maintenance. They estimated that generally 7.5 hours a day was spent on Special Education Grant activities and about thirty minutes a day on other school tasks. The personnel costs for the nine school aides totaled \$44,085.
- The Administrator for Special Education informed us that school aides providing one-to-one support for students with disabilities did not work full-time on Special Education Grant activities during the summer. The March 31, 2004 quarterly reports did

⁹ Personnel costs were comprised of \$2,736,635 for salaries and \$560,683 for fringe benefits for the Consolidated Grants and \$2,238,337 for salaries, \$3,021 for overtime, and \$590,604 for fringe benefits for the Special Education Grants.

not include personnel costs for the summer period. However, if its procedures are not revised, GDOE may improperly charge the Special Education Grants for the entire personnel costs for school aides working during the summer when a portion of the costs may be allocable to activities unrelated to the grants.

Nothing else came to our attention to indicate that other GDOE employees did not expend 100 percent of their time on the grants.

Recommendations

We recommend that the Chief Financial Officer, in collaboration with the Assistant Secretary for Elementary and Secondary Education and the Assistant Secretary for Special Education and Rehabilitative Services, require GDOE to—

- 2.1 Implement at least semi-annual certifications for employees who expend 100 percent of their time on a Federal grant and personnel activity reports or equivalent documentation for employees who expend their time on more than one Federal grant or other activities.
- 2.2 Review initial certifications (prepared after implementation of Recommendation 2.1) for employees who were charged 100 percent to the Consolidated Grants or Special Education Grants to identify those employees, if any, who did not work 100 percent on the respective grant. For the identified employees, GDOE should determine if the employees' duties during the certification period were similar to their duties since October 2003 and return to the respective grant account those portions of the personnel costs for time worked on activities unrelated to the grant.
- 2.3 Provide support for personnel costs charged to the Consolidated Grants for the five employees who also administered the Robert C. Byrd Scholarship Program and for personnel costs charged to the Special Education Grants for the nine school aides who also performed general school activities, and return to the respective grants those portions of the personnel costs for time worked on activities unrelated to grants.

GDOE Comments

GDOE concurred with the finding and recommendations, but GDOE's Special Education unit questioned whether the one-half hour per day expended by the nine school aides on activities unrelated to the Special Education Grants reached a threshold that warranted the return of funds.

GDOE stated that, effective April 1, 2005, quarterly certifications would be implemented for employees who expend 100 percent of their time on Federal grants or between Federal grant and other activities. GDOE will review the certifications to determine if allocations were needed for portions that are not related to the Federal grant activities. GDOE's Special Education unit stated that procedures would be implemented in Summer 2005 to ensure that local funding sources are charged for the percentages of employees' time unrelated to Special Education activities.

OIG Response

The funds returned for the nine school aides are negligible in context to the total funds provided under the Special Education Grant, but our review covered only a small number of GDOE employees and only the reported personnel costs for the quarter ended March 31, 2004. Since GDOE did not have periodic certifications as required by OMB Circular A-87, there could be similar instances for other employees and time periods not covered in our review.

The corrective action proposed by GDOE does not comply with the requirements of OMB Circular A-87. For employees working on multiple activities, paragraph 8.h (4) of Attachment B states—

[A] distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system . . . or other substitute system has been approved by the cognizant Federal agency.

Subsection (5)(c) states that personal activity reports or equivalent documentation “must be prepared **at least monthly** and must coincide with one or more pay periods” [Emphasis added.]

FINDING NO. 3 – GDOE’s Inventory Records Did Not Reflect the Current Location of Some Equipment

GDOE’s inventory records did not reflect the current location of some computers, monitors, and printers purchased with funds from the Consolidated Grants. The regulation at 34 C.F.R. § 80.32(d)(1) states—

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

During our physical observation of equipment, we found that GDOE’s inventory records reflected the current location of all 74 items of equipment selected from the transactions reviewed in our audit that were purchased with funds from the Special Education Grants. However, we were unable to locate 11 of the 149 items of equipment that we selected from the transactions reviewed for the Consolidated Grants. The 11 items consisted of seven computers, three printers, and one monitor, which were purchased in the following three separate transactions.¹⁰

¹⁰ The three transactions encompassed 126 of the 149 items reviewed for the Consolidated Grants. We found that the inventory records were accurate for the items purchased in the other transactions that encompassed the remaining 23 items reviewed.

- GDOE purchased 130 computers and 130 monitors in a transaction under Purchase Order No. 200391606 with Consolidated Grant funds. GDOE's inventory records showed that the computers and monitors were assigned to various elementary schools. We conducted site visits to five schools to confirm the location and use of the 44 computers and 38 monitors assigned to the schools.

We were unable to locate six of the computers that the inventory records showed were located at D.L. Perez Elementary School, and we found one computer at Finegayan Elementary School that was shown as assigned to another school on the inventory record. GDOE's Fixed Assets Office staff advised us that the location shown on the inventory record was incorrect. At the end of our onsite visit, GDOE had not yet provided us with the current location of the equipment. The six computers with their associated monitors cost a total of \$9,978.¹¹

- GDOE purchased 70 printers in a transaction under Purchase Order No. 200301474 with Consolidated Grant funds. GDOE's inventory records showed that the printers were assigned to various elementary schools and GDOE offices. We visited five schools and six GDOE offices to physically observe the 24 printers assigned to those locations. We were unable to locate 3 of the 24 printers.

We were unable to find one printer at Finegayan Elementary School. The principal at Finegayan Elementary School told us that the assigned printer was defective and had been replaced with another printer. GDOE's inventory records showed that three printers were at GDOE's Chamorro Studies Office. However, GDOE's Fixed Assets Office staff informed us that the inventory record had not been updated to reflect the transfer of two printers from the Chamorro Studies Office to the Federal Programs Office. We were unable to locate one of the two printers transferred to the Federal Programs Office and the remaining printer at the Chamorro Studies Office.¹² The three printers cost a total of \$1,182.

- GDOE purchased 10 computers and 10 monitors in another transaction under Purchase Order No. 200301464 with Consolidated Grant funds. GDOE's inventory records showed that the equipment was assigned to the Federal Programs Office. We were unable to locate one computer and one monitor during our physical inventory. The computer and monitor cost a total of \$1,684.

Since we were unable to locate the 11 items, we have no assurance that the purchased equipment, costing a total of \$12,844 (\$9,978 + \$1,182 + \$1,684), was used for the program purposes specified in the Consolidated Grants. During a site visit in January 2005, an ED official confirmed the location of the three printers purchased under Purchase Order No. 200301474 and the computer and monitor purchased under Purchase Order No. 200301464.

Past single audit reports disclosed that GDOE did not have a property management system in place that met applicable requirements. In response to the findings, GDOE developed a corrective action plan, which it was in the progress of implementing. The action plan provided

¹¹ The unit price of \$1,663 covered a workstation comprised of a computer and monitor.

¹² We also noted that the inventory records showed a printer for the Federal Programs Office and a printer for the Chamorro Studies Office with the same serial number.

for the implementation of an inventory system and the identification of all equipment. We found that GDOE had made progress in its implementation of the action plan.

Recommendations

We recommend that the Chief Financial Officer, in collaboration with the Assistant Secretary for Elementary and Secondary Education, require GDOE to—

- 3.1 Locate the six missing items of equipment and confirm that the equipment is being used for the purposes of the Consolidated Grants. If the equipment cannot be located, or is being used for other purposes, GDOE should return the \$9,978 cost of the equipment to the grants.
- 3.2 Report each quarter on the implementation of its corrective action plan.
- 3.3 Implement periodic reviews of the accuracy of its inventory records.

GDOE Comments

GDOE stated that an ED official confirmed the locations of all the missing items during a site visit held in January 2005. GDOE stated that its fixed asset records are being updated and periodic inventory reviews will be conducted to confirm the locations of its fixed assets.

OIG Response

While the ED official informed us that he was able to locate all the missing items of equipment, he had, in fact, only confirmed the location of 5 of the 11 items. For the other six items, GDOE's Assistant Comptroller, Fixed Assets Office, had provided revised serial numbers to the ED official and the ED official had confirmed the location of the items with those serial numbers. During the audit, the Assistant Comptroller had provided us with a list of serial numbers for the 130 items received for the reviewed transaction. The list included the serial numbers for the computers that we could not locate during our review and the revised serial numbers provided by the Assistant Comptroller to the ED official. Thus, GDOE still needs to locate 6 items to account for all 130 items received under this transaction.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to confirm that selected personnel costs and purchases that GDOE reported as expenditures for the Consolidated Grants and Special Education Grants in the Special Conditions Compliance Reports for the Quarter Ended March 31, 2004 were for services provided and purchases used for the program purposes specified in the grant awards and that the expenditures complied with applicable Federal laws and regulations. We reviewed amounts charged to the grants for salaries, contractual services, supplies and materials, equipment, miscellaneous costs, and capital outlays from January 1 to March 31, 2004.

To accomplish our objectives, we reviewed GDOE's audit report covering the Schedule of Expenditures of Federal Awards and Federal Compliance for the year ended September 30, 2001 and GDOE's single audit reports for the years ended September 30, 2002 and 2003. We reviewed GDOE's Consolidated Grant Applications for program years 2002-2003 and 2003-2004 and related correspondence. We interviewed GDOE staff responsible for the administration and accounting of grant funds and GDOE staff at selected schools. We also held discussions with Department staff at the Office of Elementary and Secondary Education and Office of Special Education Programs who were responsible for providing oversight of the grants.

For our review of GDOE's accounting and use of the grants' funds, we relied on reports of expenditures for the Consolidated Grants and Special Education Grants for the period January 1 to March 31, 2004, which GDOE staff generated from GDOE's financial accounting system. We verified the completeness of the data by comparing the expenditures on GDOE generated reports to amounts on the Special Conditions Compliance Reports for the Quarter Ended March 31, 2004. We also compared information in the GDOE generated reports to source documents for selected transactions. Based on these tests, we concluded that the data was sufficiently reliable to be used in meeting the audit objectives. Attachments 1 and 2 provide the number of transactions selected for review and the selection methodology used for each cost category.

We performed on-site fieldwork between September 9 and September 28, 2004 at GDOE's administrative offices in Hagåtña, Guam and the following eight schools: M.A. Ulloa Elementary School, Price Elementary School, Upi Elementary School, D.L. Perez Elementary School, Finegayan Elementary School, L.P. Untalan Middle School, John F. Kennedy High School, and the Alternative School. Subsequent to our site visits, we conducted additional reviews and analyses at our Sacramento office. An exit conference was held with GDOE officials on December 20, 2004. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of the audit described.

STATEMENT ON INTERNAL CONTROLS

Our assessment of GDOE's internal control structure was limited to those areas of control weaknesses identified while conducting substantive tests of grant expenditures. Based on our review, we concluded that GDOE needs to establish procedures that ensure costs are properly charged to grants, personnel costs are documented in accordance with the requirements of OMB Circular A-87, and accurate asset inventory records are maintained. These weaknesses are identified in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective actions to be taken will be made by the appropriate Department officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department officials who will consider them before taking final Departmental action on this audit.

Jack Martin
Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
Federal Building No. 6, Room 4E313
400 Maryland Avenue, SW
Washington, DC 20202

Raymond J. Simon
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
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400 Maryland Avenue, SW
Washington, D.C. 20202

John H. Hager
Assistant Secretary
Office of Special Education and Rehabilitative Services
U.S. Department of Education
Potomac Center Plaza
550 12th Street SW, Room 5103
Washington, D.C. 20024

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions under the Act.

Sincerely,

/s/
Gloria Pilotti
Regional Inspector General for Audit

Attachment 1

**Table 2. Consolidated Grants to Insular Areas
Summary of OIG Review of Selected Transactions**

Cost Category	Total Items/ Total Amount	Items in Sample/ Amount of Sample	Finding #1		Finding #2	Finding #3
			Expired Availability Period	Allocable Costs	Unsupported Personnel Costs	Unconfirmed Assets
Personnel	805 Employees \$3,297,318	51 Employees (b) \$264,589			5 Employees \$40,975	
Contractual Services	62 Transactions \$444,122	2 Transactions (c) \$306,360				
Supplies and Materials	1,212 Transactions \$491,264	2 Transactions (d) \$54,998	\$530	1 Transaction \$52,019 (h)		
Capital Outlays	20 Transactions \$360,168	4 Transactions (e) \$335,130	\$8,193	2 Transactions \$49,868		1 Transaction \$9,978
Equipment	70 Transactions \$13,413	4 Transactions (f) \$6,435	\$179	3 Transactions \$1,911		
Miscellaneous	945 Transactions \$112,993	1 Transaction (g) \$2,168				
Total Amount	\$4,719,278 (a)	\$969,680	\$8,902	\$103,798	\$40,975	\$9,978

- (a) Total excludes transactions for travel (\$21,777) and utilities (\$1,410) that were not included in our sampling universe.
- (b) All employees in the Federal Programs Office and employees at GDOE's Alternative School and the elementary, middle, and high schools with the highest personnel costs for the type of school.
- (c) Transactions of \$150,000 or more.
- (d) The highest dollar transactions that were with different vendors.
- (e) Transactions \$16,000 or more.
- (f) Transactions \$1,200 or more.
- (g) Transaction with the highest dollar amount.
- (h) Amount shown includes the purchase cost for the selected transaction (\$13,340) and additional transactions charged to the grant under the same purchase order for the same items.

Attachment 2

**Table 3. Special Education Grants to States-Part B
Summary of OIG Review of Selected Transactions**

Cost Category	Total Items/ Total Amount	Items in Sample/ Amount of Sample	Finding #1		Finding #2
			Unallowable Costs	Allocable Costs	Unsupported Personnel Costs
Personnel	478 Employees \$2,831,963	56 Employees (b) \$290,455			9 Employees \$44,085
Contractual Services	211 Transactions \$114,257	3 Transactions (c) \$35,504		1 Transaction \$8,004 (h)	
Supplies and Materials	342 Transactions \$61,952	5 Transactions (d) \$11,966			
Capital Outlays	59 Transactions \$107,594	7 Transactions (e) \$66,144	1 Transaction \$6,380		
Equipment	46 Transactions \$22,680	3 Transactions (f) \$8,574		1 Transaction \$3,114	
Miscellaneous	100 Transactions \$73,276	1 Transaction (g) \$8,401			
Totals	\$3,211,722 (a)	\$421,044	\$6,380	\$11,118	\$44,085

(a) Total excludes transactions for travel (\$32,183) that were not included in our sampling universe.
(b) All employees who worked at the Division Office for Special Education and the four selected schools.
(c) Transactions with the highest amounts paid to vendors for training and database development.
(d) Transactions of \$2,000 or more.
(e) Transactions \$6,000 or more.
(f) Transactions of \$2,000 or more.
(g) Transaction with the highest dollar amount.
(h) Amount shown includes the purchase cost for the selected transaction (\$4,150) and additional transactions charged to the grant under the same purchase order for related travel and training materials.

Attachment 3

GDOE Comments on the Draft Report



Juan P. Flores
Superintendent of Education

**FINANCIAL AFFAIRS
DEPARTMENT OF EDUCATION**

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Hagåtña, Guam 96932
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Mary A.Y. Okada
Comptroller

March 7, 2005

Gloria Pilotti
United States Department of Education
Office of the Inspector General
501 Street, Suite 9-200
Sacramento, California 95814

Ms. Pilotti,

Following is the Guam Department of Education's response to the Draft Audit Report Control Number ED-OIG/A09-E0027.

These responses were compiled with the assistance of the Associate Superintendent for Special Education and the Administrator for Federal Programs.

If any additional clarification is needed, please feel free to call me at (671) 475-0419.

Sincerely,

A black rectangular redaction box covering the signature of Mary A.Y. Okada.

Mary A.Y. Okada
Guam Department of Education
Comptroller

Cc: Superintendent

Responses to U.S. Department of Education
Office of Inspector General
ED-OIG/A09-E0027

Finding No. 1 – GDOE Improperly Charged Costs to the Grants:

GDOE charges \$13,524 to Grants with Expired availability periods.

GDOE concurs with the \$8902. We have begun to institute procedures that will no longer allow charges to be made to expired grants. However, for the \$4622, a journal entry was already made to move the expenditures related to salaries to the appropriate accounts. This was done prior to the fiscal year end. The causes of these expenditures were from salary charges in which the new accounts numbers were not completely changed in the payroll system when the basic salary account was changed. This process will be updated with the personnel division to ensure that all salary related codes are updated when new accounts are assigned to employees. Further, the accounting staff will monitor any such charges and make the necessary adjustments, if necessary, on a continual basis.

GDOE charged \$6380 for a purchase that was not necessary to the operation and performance of the Special Education Grant.

GDOE concurs with the recommendation and upon receipt of final audit, we will make the necessary journal entries to reflect the adjustment to the Special Education grant and charge it to the Consolidated grant that should have been charged initially.

Consolidated Grants – Supplies and Materials:

In-kind costs of RPE for administering the SAT 9 tests and preparing the annual school performance reports are charged to local funds. Therefore, local funds were expended to carry out the public law.

Consolidated Grants – Capital Outlay: GDOE charged the grant for laptop computers and printers that were used by employees providing services to other Federal programs and/or GDOE's general student and employee populations.

Consolidated grants – Equipment:

GDOE charged grants for software packages and printers being used by units that provided services to the general student and employee populations and/or other Federal programs.

Consolidated Grants **Disputes** the Finding.

Attachment 3 (Continued)

The costs of computers used by the principals were properly charged because the Consolidated Grant was implemented under the No Child Left Behind Act Title V-A which allows funds to be used for:

- Providing training to principals related to Title V- A programs.
- Providing technology activities to school personnel related to the implementation of school-based reform efforts.
- Giving principals the knowledge and skills to provide students with the opportunity to meet challenging State or local academic content standards and improve student academic achievement.

Throughout NCLB, e.g., Title I, Title II, and Title V, principals are embraced as a distinct group critical to improving student academic performance. Because of their immense influence on the general student population, the benefits of NCLB are naturally extended to them. To leave principals behind would leave students behind.

The Consolidated Grant Application Program Year 03-04 included the following in the Reading Reform section:

Objective: Establish data collection and reporting system for Direct Instruction student assessments at school and district levels.

Activities:

- a) Provide schools with the necessary technology, training, and other resources to collect data and report assessment results.
- b) Establish student data management system to collect and report district-wide reading performance; contract with research consultants, if necessary.
- c) Set up schedule for regular collection and reporting of school data and district data.

Principals are vital to the success of any school improvement program. In order to achieve the grant's stated objective, principals had to be given the means and resources, i.e., computer technology to include printers, software, and related accessories. The computers were provided to them because they are ultimately responsible for managing and implementing the new and comprehensive Direct Instruction reading program at the school level. Principals are expected to supervise the teachers and reading coordinators implementing the program, and to keep track of student and school progress. It was imperative that they were equipped with the tools and resources that would assist them in leading and managing the program in the most efficient manner. They needed the computers to:

- ◇ Prepare reports and documents required by the Reading First Center and Federal Programs
- ◇ Prepare communications to faculty, staff, and parents about DI
- ◇ Prepare DI teacher schedules
- ◇ Communicate electronically for quick transmission of information

Attachment 3 (Continued)

- ◇ Input and track student progress reports
- ◇ Input needed instructional materials orders
- ◇ Prepare graphs/tables for reporting
- ◇ Review and maintain student groupings
- ◇ Record classroom observations of teachers teaching DI
- ◇ Review student and school performance
- ◇ Keep updated on the use of technology for tracking student performance
- ◇ Maintain other DI files
- ◇ Maintain Consolidated Grant equipment inventories.

Principals also used the computers for implementing other Consolidated Grant programs such as DEED, Summer School, and SAT 9 testing.

The cost of computers used by the employees were properly charged because the employees spent a great deal of time processing Consolidated Grant personnel actions and purchase orders, receiving and disbursing materials, etc. Computers were provided to enhance their efficiency and to ensure that the human and material resources were provided in a timely manner to the Consolidated Grant programs being implemented in the schools and divisions.

Special Education Grants – Contractual Services: GDOE charged a grant \$4150 for a transaction under PO# 200400211 for a trainer to provide instruction to GDOE staff at 16 schools on the use of a test question database. The database was used to monitor student progress and assist in aligning curriculum with the standardized test. We identified additional transactions charged to the grant under the same purchase order for \$3214 for travel and \$640 for training materials. The Administer from Research, Planning, & Evaluation informed us that the test questions were for special education students, English language learners, and regular students. The purchases, totaling \$8004, should have been paid, in part, with local funds and, if applicable, other Federal program funds.

Special Education **Disputes** the Finding.

DOE has 37 public schools. Special Education was asked to use its funds to pilot the use of the Curriculum Director in 16 schools, in order to learn how to assist all schools to “drill down” the SAT 9 data, as schools examined the individual student and school-wide student performances on the SAT 9, in order to develop school improvement plans that are data driven. These school improvement plans are designed to improve student performance on the SAT 9, including students with disabilities.

While other students, besides students with disabilities, benefited from this pilot program, the fact that students with disabilities were intended to benefit should

Attachment 3 (Continued)

justify the expenditure of grant funds. All students with disabilities at the 16 public schools that received the Curriculum Director training benefited from the training, as their school staff became more adequately prepared to develop appropriate school intervention plans based on the performance of special education students (the special education students performances can be disaggregated from all other students).

Uncalculated in-kind local costs were incurred due to the salaries of the school staff that were trained to use the Curriculum Director. In addition, now that the software and hardware are in place, continuing local costs are being expended each time the Curriculum Director is used, with Special Education students deriving benefits each time.

Special Education Grants – Equipment: GDOE charges a grant \$3460 for a transaction under PO# 200400212 for 10 Motorola handheld receivers (\$346 each). The receivers were assigned to the school principals, four vice principals, school secretary, custodian, and three aides at JFK High School. Except for the vice principal that oversaw the Special Education program, the other high school personnel provided services to the general student population. The \$3114 cost of nine receivers should have been paid, in part, with local funds and, if applicable, other Federal program funds.

Special Education **Disputes** the Finding.

In addition to serving all students with disabilities who are in district to attend this school, John F. Kennedy High School also serves as the regional high school for any student who is placed into our special program for students who are deaf and hard of hearing. In other words, if you are a deaf and hard of hearing student at the high school level, the only high school that can provide a free appropriate public education is located at John F. Kennedy High school, and is not available at the three other high schools.

The decision to develop regional programs for low-incidence students is based in part on cost efficiencies to bring small numbers of students together on one school campus in order to hire one certified teacher of the deaf, instead of recruiting several teachers of the deaf to teach on several school campuses. This also allows the district to concentrate its professional development for the teachers in the regular classrooms to one school instead of many schools. Our interpreters will also be concentrated on one school campus, allowing the possibility of assisting each other in times of interpreter absences.

Special Education federal funds are provided to states and territories to assist states and territories to provide special education and related services to eligible students with disabilities. The funds expended to provide Motorola hand-held receivers were provided to assist the high school in addressing the overall supervision responsibility for all students, including the students with disabilities,

**Attachment 3
(Continued)**

such as the students who are deaf and hard of hearing. The questioned costs of the identified hand-held receivers are just a portion of the total costs expended by the GDOE to provide for a safe and secure campus for all students.

Placing regional programs on regular school campuses resulted in increased administrative responsibility on the schools. If schools were asked by the district to house regional special programs for low-incidence programs, and were asked to take on the additional burden of supervision, administration, and litigation that typically accompanies such special programs, and there are no benefits to be provided, these programs will become unwelcome and eventually not allowed onto a school campus.

Thus, the district decision to provide “assistance” to John F. Kennedy in purchasing 10 Motorola hand-held receivers so that the Principal, Assistant Principals, and school aides who were campus safety monitors, so that they can provide a safe environment for all students, including students with disabilities, is an appropriate use of federal funds to supplement our special education efforts at that particular school.

It is interesting to note that the OIG auditors identified the Principal, plus 4 Assistant Principals, plus a school secretary, plus a custodian, and 2-3 school aides as persons who used the federally funded hand-held receivers. All of these personnel are all locally funded. Therefore, of the total supervision costs required to ensure a safe and secure school for all students, the salaries of the identified individuals are many times more than the questioned cost of the hand-held receivers.

Finding No 2. GDOE did not have the required documentation for Personnel costs charged to the grants.

GDOE did not have periodic certifications for employees charging 100 percent of their time to the Consolidated Grants and Special Education Grants, and

Page 8 – Paragraph 1: *The personnel costs for these employees were charged 100 percent to the respective grants. GDOE accounting staff informed us that GDOE had not implemented the required periodic certifications for employees charging 100 percent of their time to the Federal grants.*

Special Education **Concurs** with the Finding.

Page 8 – Paragraph 2: *Other than the few instances noted below, we concluded that the personnel costs charged 100 percent to the grants appeared reasonable, and*

Page 8 – Paragraph 7: *Nothing else came to our attention to indicate that other GDOE employees did not expend 100 percent of their time on the grants.*

Special Education Response:

Special Education **Concurs** with the Finding that personnel costs charged to the grant appeared reasonable and that other than the few instances noted, nothing else came to the attention of the OIG auditors that employees did not expend 100 percent of their time on Special Education grants.

Page 8 – Paragraph 3 & 5: *We noted the following instances where staff did not expend 100 percent of their time on activities related to the grants:*

- *Nine school aides at John F. Kennedy High School, who provided one-to-one support for students with disabilities, informed us that after completing grant-related activities, they performed general school tasks, such as assisting in student supervision, answering phones, and light maintenance. They estimated that generally 7.5 hours a day was spent on Special Education Grant activities and about thirty minutes a day on other school tasks. The personnel costs for the nine school aides totaled \$44,085.*

Special Education Response:

Special Education **Concurs** with the Finding that personnel were found to have spent 7.5 hours per day on Special Education Grant activities. However, Special Education **Disputes** that because an inconsequential one-half hour a day was spent on non-Special Education Grant activities, that this constitutes a threshold that should result in questioned costs for the amounts identified (\$44,085), which is 5 hours out of an 80-hour pay period, which equals one-sixteenth, or 6.25 percent, of the entire pay period. How this amount and percentage can be raised to a level of questioned costs is not understood, when in the OIG auditors own findings, “Other than the few instances noted below, we concluded that the personnel costs charged 100 percent to the grants appeared reasonable.”

Page 8 – Paragraph 3 & 6: *We noted the following instances where staff did not expend 100 percent of their time on activities related to the grants:*

- *The Administrator for Special Education informed us that school aides providing one-to-one support for students with disabilities did not work full-time on Special Education Grant activities during the summer. The March 31, 2004 quarterly reports did not include personnel costs for the summer. However, if its procedures are not revised, GDOE may improperly charge the Special Education Grants for the entire personnel costs for school aides working during the summer when a portion of the costs may be allocable to activities unrelated to the grants.*

Attachment 3 (Continued)

Special Education Response:

Special Education **Concurs** with the Finding. GDOE will institute procedures effective this summer (2005) to ensure that employees charged to the Special Education Grants will be charged to local funding for the percentages of their time unrelated to Special Education activities.

Provide support for personnel costs charged to the Consolidated Grants for the five employees who also administered the Robert C. Byrd Scholarship Program and for personnel costs charged to the Special Education Grants for the nine school aides who also performed general school activities, and return to the respective grants those portions of the personnel costs for time worked on activities unrelated to grants.

GDOE concurs with this finding. Effective April 1st, GDOE will issue quarterly certifications for employees who expend 100% of their time on federal grants or between federal grant and other activities. Upon review of these certifications, GDOE will determine if allocations need to be made for portions that are not related to federal grant activities.

Finding No. 3 GDOE's inventory records did not reflect the current location of some equipment.

GDOE was able to confirm with USDOE officials during their visit in January the location of the missing computers. Below is an excerpt of an e-mail that was sent from USDOE Mark Robinson, regarding the location of the missing computers:

As requested, I followed up on this issue while in Guam last week. Ray Miranda from GDOE and I went out to two schools to locate the items in question on the "Equipment Not Located" list, as well as the GDOE offices noted on the list. I was able to locate all of the items listed, based on the correction to the serial numbers as indicated on the attachment below provided by Ray during my visit. The problem with locating the items appears to be the result of incorrect serial numbers on the initial inventory sheet from what is actually shown on the items

GDOE is in the process of updating its fixed asset records into the computerized fixed asset module under the Financial Management System. Upon initial input, GDOE will conduct periodic inventory reviews of the locations of its fixed assets.