



GUAM DEPARTMENT OF EDUCATION LAPTOP INVENTORY

Performance Audit
October 1, 2020 through September 30, 2022

OPA Report No. 24 - 05
March 2024





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Table of Contents

Executive Summary	1
Introduction	7
Results of Audit	10
Evidence of Noncompliance of Procurement Rules, Regulations, Internal Policies, and SOPs.....	10
Questionable Laptop Purchases and Distributions.....	16
Noncompliance with Asset Management SOPs.....	22
Weaknesses in Internal Controls.....	24
Other Matters	25
Conclusion and Recommendations	27
Classification of Monetary Amounts	29
Management Response and OPA Reply	30
Appendices	
Objectives, Scope and Methodology	31
Prior Audit Coverage	32
Applicable Laws, Rules, and Regulations	33
Laptop Purchases Based on POs Issued for FY 2021 to FY 2022.....	35
Excess of Laptops	37
Management Response	39
Status of Audit Recommendations.....	42



Executive Summary

Guam Department of Education Laptop Inventory

OPA Report No. 24-05, March 2024

The Guam Department of Education (GDOE) purchased 34,503 laptops valued at \$24.6 million (M) in fiscal year (FY) 2021 through FY 2022. Our review of documents relative to procurement processes, purchases and distributions, grant budget, and applicable internal controls found some indications of apparent improper purchases generally arising from the following:

- a) Noncompliance with procurement laws, regulations, and GDOE internal policies and Standard Operating Procedures (SOP);
- b) Questionable excessive laptop purchases and distributions; and
- c) Significant weaknesses in internal controls.

We questioned the cost of \$23.1M for laptops purchased under the Invitation for Bid (IFB)-Indefinite Quantity Bid (IQB) No. 019-2020, which were not covered under an agreement/contract with its sole vendor, Vendor A. *Section 3.2.7, Contract Type, of IFB-IQB No. 019-2020 specifically states that “A Firm Fixed Price agreement will be consummated between the most responsible bidder and GDOE.”* We also questioned the cost of 1,693 laptops totaling \$1.5M procured via small purchases covered by 45 purchase orders (POs), which appeared to be artificially divided.

The apparent indications of improper purchases arising from questionable excessive purchases are evidenced by deficiencies such as: a) failure to implement the required procurement processes, b) failure to execute the required documentation and approvals, c) lack of reasonable and realistic determination of need, d) distributions not based on ultimate end-user need outlined in the distribution plan, and e) others. Additionally, we found weak internal controls over the review and approval processes and the discrepancies between MUNIS records and physical counts. We also found inadequate physical controls, which are some significant factors indicative of weaknesses in internal controls over the purchasing, distribution, and management of the laptops. Although the purchases were federally funded by United States Department of Education (USDOE) grants, the non-adherence to the required procurement processes and internal control deficiencies could **potentially** result in waste and abuse of funds.

Evidence of Noncompliance of Procurement Rules, Regulations, Internal Policies, and SOPs

We reviewed procurement documents under IFB-IQB No. 019-2020 IQB of Technology Equipment, Supplies, and Accessories, which authorized the purchase of significant quantities of laptops during FY 2021 and FY 2022. Our review covered 26 POs (42% out of 62 POs issued) valued at \$23.5M. Of the 26 POs, only 16 POs valued at \$23.1M were referenced to IFB-IQB No. 019-2020 while other POs were procured via small purchase. Our review identified evidence of noncompliance with the Guam Procurement laws and regulations and GDOE internal SOP.

1. No Evidence of the Office of the Attorney General's Involvement Throughout the Procurement Process

Pursuant to Title 5 of the Guam Code Annotated (GCA) §5150, whenever the Chief Procurement Officer conducts any solicitation or procurement which is estimated to result in an award of **\$500 thousand (K) or more, the Attorney General (AG) or his designees**, including one or more Special Assistant Attorneys General (SAAG) who may be so designated or appointed by the AG, **shall act as a legal advisor during all phases of the solicitation or procurement process.** Additionally, the AG or his designee, including one or more SAAGs, shall determine the correctness of form and legality **when approving contracts.**

Except for AG Form No. 012 (Notification of Procurement Over \$500K) signed by GDOE Procurement Officer, Form No. 014 (Declaration Re: Compliance with 5 GCA §5150) signed by the GDOE Superintendent, and Form 008 (Procurement Review Checklist for IFB) signed by the GDOE Legal Counsel, there were no other records provided to document the GDOE Legal Counsel or Office of the Attorney General of Guam's (OAG) participation on the succeeding procurement activities consummating in the agreement/contract execution, review and signing.

2. No Agreement/Contract with Solely Awarded Vendor A

Section 3.2.6, Contract Type, of IFB-IQB No. 019-2020 states that "A Firm Fixed Price agreement will be consummated between the most responsible bidder and GDOE." In GDOE SOP 200-026 (Competitive Sealed Bidding-IQB) and SOP 200-027 (Competitive Sealed Bidding-IFB), Step 14 states that "if the IFB is \$500K and over, the buyer will submit the procurement file to legal for review and processing prior to processing a Purchase Order." If the IFB is for **construction or non-professional services**, the Buyer will prepare the procurement file, provide it to the GDOE Legal Counsel and request that the GDOE Legal Counsel prepare the contract. After internal review, the procurement file is submitted to the GDOE Legal Counsel, who prepares the contract for signatures, **which includes the AG and the Office of the Governor (OOG).** The PO shall be issued **after the contract is signed by all parties, However, the SOP does not explicitly mention procurement of "supplies."**

Despite several written requests for a copy of the agreement/contract signed by the GDOE officials and Vendor A, none was provided. We subsequently learned that no agreement/contract was ever executed. Consequently, the laptops valued at approximately \$23.1M purchased under IFB-IQB No. 2019-2020 were not covered with a **Firm Fixed Price Agreement**, required in the IFB, thus was neither approved by the AG nor the OOG. We questioned the purchase of these laptops aggregating \$23.5M, which significantly violated the IFB specification/requirement of a Firm Fixed Price Agreement.

3. IQB Review Requirement Not Performed

Under GDOE SOP#200-026 IQB Step 15 of the Step-by-Step IFB Process, **every six months**, the buyer must consult with the End User to determine if the IQB should remain in place. A determination letter should be drafted, which is reviewed by the Supply Management Administrator (SMA) to ensure appropriate support is provided before signing it. Furthermore, Step 16 states that IQBs can only be placed for a **period of one year with the option to extend for no more than 90 days** when the SMA determines in writing that it is not practical to **award another contract** at the time of such extension.

We found no evidence that the required every six months' review was performed, and a determination letter was executed, signed, and filed. However, a memo (**to the procurement file**) was subsequently provided relative to the **determination to extend the IQB Contract** that was signed by the SMA on December 13, 2021, specifying the extension period effective from December 2021 until March 2022. The determination memo did not disclose the non-practicability of awarding another contract. Furthermore, there was no documented agreement between GDOE and Vendor A for such extension, **since there was no initial agreement/contract executed.**

4. Inaccurate Disclosure in Certification of Completed Procurement Record

Title 5 of GCA §5250 and Title 2 of the Guam Administrative Rules and Regulations (GAR), Division 4, Procurement Regulations, §3130 states that no procurement award shall be made unless the Chief Procurement Officer, the Director of Public Works, or the head of a purchasing agency **certifies in writing** under penalty of perjury that he has maintained the record required by §3129 of these regulations and that it is complete and available for public inspection. **The certificate is itself a part of the record.**

In our initial inspection of the IFB-IQB No. 019-2020 procurement file, the Certification of Completed Procurement Record was not signed by the GDOE Superintendent. **Item 19 (contracts including draft versions) was marked on file.** A Certification of Completed Procurement Record was subsequently provided, which was signed by the GDOE Superintendent on **Nov. 18, 2020.** Similarly, the signed certification showed **item No. 19 (contract including draft versions)** was marked as on file. However, in our follow-up review of the procurement record, no contract was seen on file. The inaccurate disclosure and incomplete procurement record maintained for the IFB-IQB No. 019-2020 exhibited a lack of transparency and accountability.

Questionable Laptop Purchases and Distributions

1. PO Quantity versus IFB Minimum Requirement

Section 2.3, Project Description–Minimum Hardware Requirements/Specifications, of IFB-IQB No. 019-2020, stated the minimum requirement for basic laptop (1,804 units), admin laptop (275 units), and Chromebook (100 units).

We found that POs referenced to this specific IFB, identified quantities ordered/purchased significantly exceeding the minimum hardware requirements stipulated in the IFB. The minimum hardware requirement for the three types of laptops totaled 2,179 units, however, laptops purchased per the 16 POs totaled 32,799, an excess of 30,720 units or 1,410%.

The 16 sampled POs for 32,799 units with a total value of \$23.1M were supported with determinations of need (DONs), which *generally stated the need to procure laptops/ tablets for distance learning and face-to-face instruction for social distancing.* The DONs prepared from August 2020 through March 2022 do not specify the quantities needed to support the POs. We found that 13 POs were signed under the Purchasing Authority/Certifying Officer portion by the Third Party Fiduciary Agent (TPFA) Senior Grant Manager and three POs were signed by its Director.

The IFB is for an indefinite quantity of laptops and due to fluctuation of needs, the quantities may increase during the award period. However, the excessive quantities purchased compared with the minimum hardware requirement per the IFB appeared not properly analyzed and reviewed and thus needs to be justified.

2. Purchases Exceeded Public School Student Population

The MUNIS record showed that 14,285 laptops already in inventory prior to the purchase of the additional laptops, were still usable at the end of FY 2022. With the 34,503 purchased during FY 2021 to FY 2022, laptops available for use totaled 51,603. For GDOE Public School use, GDOE purchased 29,531 or **2,034** more laptops than its 27,497 student population (School Year 2020-2021). If the existing laptops are to be considered in the laptop requisitions, there appears to be an excess purchase of **16,319** laptops for public school use.

Furthermore. GDOE purchased **4,970** laptops in addition to existing inventory of **2,817** for private schools, charter schools, and other support departments. We cannot determine the potential excess due to the unavailability of count of ultimate end users from these groups. Although these purchases using federal grants were approved by the TPFAs representatives based on DONs and POs, we questioned the excess of laptops purchased over the recorded student population.

3. Unopened and Undistributed Laptops

During a visit with the GDOE Internal Audit Office (IAO) in November 2022, we were shown the storage room at GDOE headquarters with an estimated **1,200** laptops still in their original boxes. These laptops are those assigned to the Curriculum and Instructional (C&I) Office. In the MUNIS inventory records, **1,497** laptops were distributed to the C&I office, with an existing inventory of **80**.



Although the majority of these laptops were delivered to C&I in June 2021, these were first seen in storage on **November 18, 2022, and again on February 14, 2023** (image at the right). Non-distribution of these laptops signifies that the laptops were not urgently needed, thus a questionable determination of ultimate end users need. Furthermore, during the OPA and GDOE IAO site visits to 10 schools in May 2023, we found five schools still had unused laptops in boxes. The number of laptops in their original boxes ranged from **14 to 66**.

The non-distribution of these laptops indicates a flaw in the internal control in planning requisitions and distributions. It reflects ineffectiveness in determining the need for the laptops and the timeliness of their distribution.

4. Questionable Small Purchase

5 GCA §5213- Small Purchase

Small purchase requirements shall not be **artificially divided** to constitute a small purchase. Our review of 10 other POs totaling \$432K, which were not referenced to IFB-IQB 019-2020 but were procured via a small purchase method of solicitation, disclosed the following:

High-end Specifications and High Cost Small Purchases

In addition to the 32,799 laptops purchased valued totaling \$23.1M via IFB-IQB, GDOE purchased an additional 246 laptops valued at \$427K via nine POs, using the small purchase solicitation method. We noted high-end laptops with high unit costs ranging from \$989 to \$3,879 were purchased for student/teacher needs. POs were based on Request for Quotations (RFQ), **which specify the quantity and the model/type of laptop intended to be purchased**. The six vendors for these POs were either not awarded with laptops or non-bidders as they did not submit bids for the IFB. Two of these POs had items not awarded or had unit costs not in the IQB awarded listing.

Additionally, there were no summaries for bids received or bid abstracts to document the responders to the RFQ, comparison of quotations received, determination of lowest bidder awarded, and the approval of the awarded vendor. POs for these small purchases were not signed by the vendor to signify acceptance.

Appearance of Artificial Division

Title 5 of GCA §5213 specifies that a small purchase should not be artificially divided to constitute a small purchase. Of the sampled POs, nine POs for 246 units with a total value of \$427K had amounts between \$1,978 and \$249K, thus appeared to be artificially divided so as not to exceed the federal threshold of \$250K for small purchases. Furthermore, 36 POs recorded in the MUNIS system (not covered in our sample) were issued for 1,447 units valued at \$1.1M, ranging from \$700 to \$170K. Similarly, these appeared artificially divided to qualify as a small purchase. The cost of the 45 POs totaling \$1.5M, could have been subjected to the OAG review as the procurement value exceeded \$500K. Therefore, we questioned the cost of these POs aggregating \$1.5M with the appearance of artificial division.

Noncompliance with Asset Management SOPs

1. Inconsistencies with DONs, POs and Distribution Plans

Under GDOE SOP#200-015 Section 3.1.1, a distribution plan should be established before any incoming assets/equipment are allocated/delivered to the school/division and end-users.

a. PO No. 20221094-Requisition #20221923- LENOVO 81MB67US/LENOVO NOTEBOOK- \$340K

DON states, “to procure technology for student use for 25 public schools.” However, per the Acceptance of Receipt duly signed by the GDOE personnel who received the laptops, 1,050 laptops were only distributed to **5** public schools, exceeding or short of the Distribution Plan. VSA Benavente Middle School was distributed 360 laptops, although the school is not included in the Distribution Plan, while 20 schools did not receive any of the allotted 840

laptops. The Acceptance Receipt reflects that the Distribution Plan was not followed in the distribution process.

b. PO No. 20210476- Requisition No. 20210221 – Lenovo L13 YOGA

We identified inconsistencies between the receiving report and distribution plan for laptops that were delivered to six schools. Per the Distribution Plan, one school was allocated 150 to 210 units, however, actual distribution was either none or a maximum of 450 units.

Weaknesses in Internal Controls

1. Discrepancies in Physical Inventory and MUNIS Inventory Records

Our physical count of laptops in 10 selected GDOE schools found discrepancies between the MUNIS inventory record (as of May 5, 2023). One school had **53 laptops, more** than what was recorded on the MUNIS inventory records. All other nine schools had a physical count that was less than what was recorded on the MUNIS inventory records, ranging from 11 to 174 laptops. The discrepancies are indicative of non-reconciliation of physical assets against the recorded transactions and a lack of periodic monitoring of the physical existence of the assets.

Other Matters

During our review, we found some issues which are not within our audit objectives, however, we believe these matters need to be communicated to the GDOE management for remedial action. These matters include GDOE's inability to retrieve all laptops issued to students and inadequate secured laptop storage. GDOE management needs to address these prevailing issues relative to physical control, adequate storage, and infrastructure to preserve its assets and minimize potential waste in the use of public funds and resources.

Conclusion and Recommendations

We uphold GDOE management's decisive action, determination, and effort to respond to the needs of a significant Guam student population to provide the best education during the period of the COVID-19 pandemic. The tasks of planning, fund sourcing, procurement and purchasing and distribution to the ultimate end-users is a great responsibility shouldered by the GDOE and other government officials. However, these actions and decisions need to be performed in adherence to Guam Procurement law and regulations and GDOE internal policies and procedures with great consideration of internal controls in executing processes.

As a significant amount of federal funds was used for the purchase of these laptops, GDOE needs to institute corrective measures to prevent more recurrences and ensure efficient use of local and federal resources in order that excess funds be properly allocated to other viable government programs. We made 11 detailed recommendations relative to procurement and internal controls.

Introduction

This report presents the results of our performance audit of the Guam Department of Education's (GDOE) laptop inventory. This audit was initiated due to GDOE Internal Audit Office's (IAO) concern regarding a storage room at GDOE's headquarters that was full of new unopened laptops purchased during the COVID-19 pandemic, which encompassed Fiscal Years (FY) 2021 through 2022.

The objectives of this audit were to determine whether:

- 1) Laptop purchases followed applicable procurement rules, regulations, and internal policies and procedures; and
- 2) The internal controls are effective from inventory acquisition to inventory management.

The audit objectives, scope and methodology are detailed in [Appendix 1](#).

Background

On March 16, 2020, the Governor of Guam signed Executive Order 2020-04 relative to responding to confirmed cases of COVID-19, which closed all non-essential Government of Guam (GovGuam) offices and all schools. In an effort to continue student education, GDOE shifted from face-to-face instruction to online instruction/distance learning. To close the learning gap and ensure that all students have equitable access to learning in a safe and healthy environment, GDOE purchased and distributed laptops for student use.

GDOE Received Significant Federal Funding to Respond to COVID-19

GDOE was awarded \$41.5 million (M) from the Education Stabilization Fund-State Education Agency (ESF I-SEA) in May 2020 to address the immediate safety needs of students and employees and support the shift to distance learning. In January 2021, the United States Department of Education (USDOE) awarded a second round of funding, referred to as the ESF II-SEA, with a \$110.6M award to ensure the continued safety of students and employees and to prepare for the transition of the reopening of schools for face-to-face learning. This grant provided support to GDOE public schools, charter schools, and private schools with \$86M comprising of GDOE's share.

MUNIS System

The Tyler MUNIS System is GDOE's financial management system, which was purchased from Tyler Technologies in September 2011 and became operational in April 2012. The Tyler MUNIS System is a resource planning solution that integrates core financial functions, among them are procurement, receiving, and fixed asset inventory.

The MUNIS system was developed to satisfy the legal requirements from USDOE. The two versions of the system are: GDOE MUNIS, which is operated by the GDOE personnel and Third Party Fiduciary Agent (TPFA) MUNIS which is operated by the TPFA. The TPFA is a third party entity assigned by USDOE to provide oversight and funds management services for USDOE funds awarded to GDOE.

Procurement and Asset Management

After the Invitation For Bid (IFB) process is completed and **a contract is awarded to the winning bidder**, schools and divisions provide a requisition to the procurement office via the MUNIS system (including the End User Memorandum, Determination of Need, Grant Award Notification, Bid Cost Form, Scope of Work/Service/Specifications, and End User's Processing Form). The procurement office issues a purchase order (PO) to Receiving & Property Management (RPM), the school, and the vendor. RPM verifies the delivered goods, prepared documents, and establishes a Distribution Plan before assets are sent to the school/division.

A Distribution Plan is a document, which provides detail to the GDOE Central Warehouse on the new fixed assets to be allocated to the schools/divisions upon receipt and processing. It should be established before any assets/equipment are delivered to the school/division. RPM tags assets, delivers them to the school, and obtains an acknowledgement receipt.

Determination of Need (DON) is a questionnaire required to be completed and submitted by the End User which justifies the requested procurement.

Roles and Responsibilities per GDOE SOP

Below are the procurement office and officials responsible for the procurement process with their corresponding roles in GDOE's laptop purchases, which is the subject of this audit:

Procurement Office: Provides leadership, guidance, and enforcement of policies, regulations, and procedures regarding procurement activities.

End-User: Schools and divisions are the ultimate end users of the procured services and supplies. The end-user is the user or controller of the fixed asset. This includes but is not limited to students, teachers, and Head Administrators.

Vendor: The vendor is approved by the GDOE Procurement Office to provide goods, services, or construction to GDOE schools/divisions.

Superintendent of Education: (Chief Procurement Officer of GDOE) The Superintendent of Education, as head of the Guam Department of Education, shall have general supervision of all procurement activity within GDOE, its schools and divisions. The Superintendent shall ensure that all those in a management capacity below him/her enforce the requirements contained in the SOP.

Third Party Fiduciary Agent: The TPFA is responsible for providing guidance, management leadership, and accountability of USDOE funded procurements. They have the final approval of purchases funded by USDOE grants awarded to GDOE.

Other Areas of Responsibilities

Noncompliance: The Superintendent, Deputy Superintendent of Finance & Administrative Services and the Supply Management Administrator (SMA) will be advised of any violations to the procurement procedure.

Internal Control: The SMA and the Buyer Supervisors are charged with ensuring the validity of these procedures and their compliance.

Reports: The SMA will submit the Requisition Processing Report and Open PO Report to the Deputy Superintendent of Finance & Administrative Services and end users weekly or monthly.

Results of Audit

The GDOE purchased 34,503 laptops valued at \$24.6M in FY 2021 through FY 2022. Our review of documents relative to procurement processes, purchases and distributions, grant budget, and applicable internal controls found some apparent indications of improper purchases generally arising from the following:

- a) Noncompliance with procurement laws, regulations, and GDOE internal policies and SOP;
- b) Questionable excessive laptop purchases and distributions; and
- c) Significant weaknesses in internal controls.

We questioned the cost of 32,799 laptops with an aggregate value of \$23.1M purchased under IFB-Indefinite Quantity Bid (IQB) No. 019-2020, which were not covered by an agreement/contract with its sole vendor, Vendor A. *IFB –IQB No. 019-2020 under 3.2.6 –Contract Type specifically states that “A Firm Fixed Price agreement will be consummated between the most responsible bidder and GDOE.”* We also questioned the cost of 1,693 laptops totaling \$1.5M procured through small purchases covered by 45 POs, which appeared to be artificially divided.

The apparent indications of improper purchases arising from questionable excessive purchases are evidenced by deficiencies such as failure to implement the required procurement processes, failure to execute the required documentation and approvals, lack of reasonable and realistic determination of need, distributions not based on ultimate end-user needs outlined in the distribution plan, and others. Additionally, weak internal control over the review and approval processes, discrepancies between MUNIS records and physical counts, and inadequate physical control are some significant factors indicative of weaknesses in internal controls over the purchasing, distribution, and management of the laptops. Although the purchases were federally funded by USDOE grants, the non-adherence to the required procurement processes and internal control deficiencies could have **potentially** resulted in waste and abuse of funds.

Evidence of Noncompliance of Procurement Rules, Regulations, Internal Policies, and SOPs

IFB-IQB No. 2019-2020

An IFB is a formal competitive solicitation or a competitive sealed bid. It is the preferred method for procurement of supplies, non-professional services and construction. An IQB is a type of IFB for an **indefinite quantity of supplies** or services to be furnished at **established unit prices of a fixed price type at specified times** or as ordered for a fixed period of time.

An indefinite quantity contract is a contract for an indefinite amount of supplies or services to be furnished at specified times or as ordered that establishes unit prices of a fixed-price type. Generally, an estimated quantity shall be stated in the solicitation, and the **contract may provide a minimum quantity the Government of Guam is obligated to order**. Each contract proposed should be entered into by the Chief Procurement Officer, the Director of Public Works, or the head of the purchasing agency, indicating the rationale for using this type of contract and the reasons why another contract form will not suffice.

Per the End User Memorandum (EUM), the IQB was needed because the old IFB expired, and the purchase exceeded the threshold. It also stated that the approximate minimum quantity needed is **1,080 units and will be purchased within one year**. An EUM is a document that justifies the requested procurement and provides information to be used by the GDOE Legal Counsel to properly review and assess the IFB process.

Among the documents provided was Requisition No. 20200869-00 for FY 2020, which was ordered on May 5, 2020, for 1,080 student laptops (Lenovo L13 Yoga) for \$828,360 and billed to Vendor A. Per MUNIS Record, the requisition was approved in June 2020 with a notation from the SMA **“Needs to complete the IFB-Pending IFB 019-2020.”**

The IFB- IQB No. 2019-2020 was published in local newsprint media on July 20, 2020, with a closing date of September 2, 2020. Thirty-two (32) prospective bidders acquired the IFB package, while only seven submitted their bids.

Per the September 17, 2020 memorandum approved by the SMA, the IQB was awarded to five bidders. The IQB Listing detailed the awarded vendors, item name or model, and the unit prices for laptops, equipment, and accessories determined to be needed by GDOE at an indefinite quantity.

Vendor A being among the lowest, most responsive bid, and responsible bidder, was awarded specifically for laptops, storage cabinets, admin laptops, monitors, Chromebooks, and options (Lanschool Air, Absolute, and Sentinelone 3-year licenses). Based on the IQB Listing, Vendor Awarded bids relative to laptops are as follows:

- Basic Laptop-Lenovo L 13 Yoga - \$847.77 each
- Admin Laptop-Lenovo Think Pad E14 - \$733.68 each
- Chromebook-Acer Chromebook C733T - \$324.00 each

Four bidders were awarded the bids for USB docking stations, injectors, charging carts, iPad and Fire HD tablets, etc., other than laptops. There were three unawarded bidders as they either submitted the lowest but not the most responsive and responsible bid or did not submit the lowest and most responsive and responsible bid.

Based on IFB -IQB No. 2019-2020 Re: 3.2.4 Duration of Award: The duration of the award shall be **for one (1) year** upon receipt of the Congratulatory Letter and/or **Initial Purchase Order**. The Agreement and/or PO with the option to extend for an additional three months, subject to the availability of funds.

MUNIS Record for Laptop Purchase

Our analysis of laptop acquisitions based on MUNIS record provided by the GDOE IAO for laptops purchased in FY 2021 and FY 2022, showed 34,503 laptops for a total cost of \$24.6M were acquired from February 25, 2021 through November 8, 2022.

The 196 laptops costing \$78 thousand (K) were purchased using local funds, and 34,307 laptops costing \$24.5M were purchased with federal funds, specifically Education Stabilization Fund (ESF) and consolidated grants. See Table 1.

Table 1: Funding Source

Funding Source	No. of Laptops	Cost
Local	196	\$ 77,686
ESF I	14,956	\$ 10,064,167
ESF II	9,084	\$ 7,165,046
Consolidated Grant	10,267	\$ 7,244,034
Totals	34,503	\$ 24,550,933

Under Section 3.2.7, Funding Source, of IFB-IQB No. 019-2020, the project is 100% federally funded, to be administered by GDOE Federal Programs Division and funded by the USDOE Consolidated Grant to Outlying Areas. Purchases made through this IQB will also utilize other funding sources.

Third Party Fiduciary Agent

In a Memorandum dated July 2020 issued by the GDOE Superintendent to the Attorney General (AG) and Public Auditor, was designated a high risk grantee in 2003 and continue to be high risk grantee due to lack of internal controls. The USDOE imposed specific condition for grants awarded by US-Ed to GDOE, which includes a requirement that GDOE continue to engage the service of a TPFA to perform financial management duties for USDOE funded programs.

In GDOE SOP #300-037-Requisition Entry, the TPFA is responsible for providing guidance, management leadership, and accountability of USDOE funded procurements. It has final approval of purchases funded by the USDOE grants awarded to GDOE. The TPFA must have authority to enter into contracts with vendors on behalf of GDOE.

Purchase Orders

Per GDOE SOP #200-026 IQB Step 14, Final Selection Process, no. 16, separate POs are processed for each requisition, indicating the appropriate IQB number on the face of the requisition and PO.

We reviewed procurement documents under IFB IQB No. 019-2020 IQB of Technology Equipment, Supplies, and Accessories, which authorized the purchase of significant quantities of laptops during FY 2021 and FY 2022. Our review covered 26 POs (42% out of 62 POs issued) valued at \$23.5M. Of the 26 POs, only 16 POs valued at \$23.1M were referenced to IQB 019-2020 while the remaining 10 POs were procured via small purchases. The first PO No. 20210096-00 for \$339K was issued on **December 1, 2020**. GDOE acquired 34,503 laptops with a total cost of \$24.6M. POs ranged from one single laptop to 9,816 laptops. During our review process, we identified evidences of noncompliance with the Guam Procurement laws and regulations and GDOE internal SOP.

Specifically, we found:

- No Evidence of the Office of Attorney General’s Involvement Throughout the Procurement Process;
- No Agreement/Contract with Solely Awarded Vendor A;

- IQB Review Requirement Not Performed; and
- Inaccurate Disclosure in Certification of Completed Procurement Record

1. No Evidence of the Office of Attorney General’s Involvement Throughout the Procurement Process

Pursuant to Title 5 of the Guam Code Annotated (GCA) §5150, whenever the Chief Procurement Officer conducts any solicitation or procurement which is estimated to result in an award of **\$500K or more, the AG or his designees**, including one or more Special Assistant Attorneys General (SAAG) who may be so designated or appointed by the AG, **shall act as a legal advisor during all phases of the solicitation or procurement process**. Additionally, the AG or his designee, including one or more SAAGs, shall determine the correctness of form and legality **when approving contracts**. In making such a determination of legality, the AG may require any or all agencies involved in the contract to supply him with evidence that the required procedures precedent to executing the contract were carried out.

For procurements with a value of over \$500K, the Office of the Attorney General of Guam (OAG) requires agencies to fill out **AG Procurement Form 014** “Declaration Re: Compliance with 5 GCA §5150” **during a procurement’s initial planning stage and before any procurement is publicly announced or officially issued**. This form must also be certified and signed under penalty of perjury by the agency’s procurement officer, as well as maintained as part of the procurement record.

Section 3.2.6, Contract Type, of IFB-IQB No. 019-2020 states that “A Firm Fixed Price agreement will be consummated between the most responsible bidder and GDOE.”

In GDOE Legal Counsel’s memorandum to the OAG dated **July 13, 2020**, he submitted Form No. 012 (Notification of Procurement Over \$500,000) signed by GDOE Procurement officer and Form No. 014 (Declaration Re: Compliance with 5 GCA §5150) signed by the GDOE Superintendent. A Procurement Review Checklist for IFB (Form 008) **dated July 29, 2020** was signed by the GDOE Legal Counsel on November 16, 2020. IFB-IQB No. 019-2020 was published in local newsprint media on **July 20, 2020**, with a closing date of September 2, 2020.

There were no other records provided to document the Legal Counsel or OAG’s participation on the succeeding procurement activities consummating in the agreement/contract execution, review and signing. To preserve the integrity of the procurement process, for procurements valued above \$500K, OAG involvement in the entire process must be strictly adhered to.

2. No Agreement/Contract with Solely Awarded Vendor A

Pursuant to Title 2 of the Guam Administrative Rules and Regulations (GAR), Division 4, Chapter 3, §3109(b), Competitive Sealed Bidding is the preferred method for the procurement of supplies, services or construction. Title 5 GCA §5211(g) states that “the contract shall be awarded with reasonable promptness to the lowest responsible and responsive bidder whose bids meet the requirements set forth in the IFB.”

Section 3.2.6, Contract Type, of IFB-IQB No. 019-2020, states that “A Firm Fixed Price agreement will be consummated between the most responsible bidder and GDOE.”

In GDOE SOP #200-026 (Competitive Sealed Bidding-IQB) and SOP #200-027 (Competitive Sealed Bidding-IFB), Step 14 states that if the IFB is \$500K and over, the buyer will submit the procurement file to legal for review and processing prior to processing a Purchase Order. If the IFB is for **construction or non-professional services**, the buyer will prepare procurement file, provide it to the GDOE Legal Counsel and request that the GDOE Legal Counsel prepare the contract. After the legal review, **the contract** is sent to the buyer, who routes this for internal review and approval. Once the contract is reviewed internally, it is submitted to the Legal Counsel, who prepares the contract for **signatures, which includes the AG and the Office of the Governor**. The PO shall be issued **after the contract is signed by all parties**, attached to the requisition, and maintained in the procurement file. **However, the SOP does not explicitly mention procurement of “supplies.”**

Despite several written requests for a copy of an agreement/contract signed by the GDOE officials and Vendor A, none was provided. We subsequently learned that no agreement/contract was ever executed. GDOE IAO only provided the Vendor, Receiving and Warehouse copies of POs signed by the TPFA representatives. POs were neither acknowledged, received, nor signed by Vendor A to signify acceptance of any terms and conditions stipulated therein. The laptops valued at approximately \$23.1M purchased under IFB-IQB No. 2019-2020 were not covered with a Firm Fixed Price Agreement, required in the IFB, thus, the procurement was neither approved by the AG nor the OOG, we questioned the cost of these laptops aggregating \$23.1M, which significantly violated the IFB specification/requirement of a Firm Fixed Price Agreement.

To maintain accountability and preserve the integrity of the procurement process, we recommend that GDOE strictly adhere to all IFB requirements most importantly on agreement/contract requirements to ensure compliance with its terms and conditions.

Additionally, we recommend an amendment to the GDOE SOP on Competitive Sealed Bidding for IFB and IQB to include procurement of office supplies and equipment valued above \$500K relative to contract execution for the OAG and Office of the Governor’s (OOG) approval.

3. IQB Review Requirement Not Performed

Under GDOE SOP #200-026 IQB Step 15 of the Step-by-Step IFB Process, **every six months**, the buyer must consult with the End User to determine if the IQB should remain in place. Significant changes in price or upgrades in technology are some reasons to cancel an IQB. A determination letter should be drafted and submitted to the SMA. The SMA will review the determination letter and ensure appropriate support is provided before signing and placing it in the procurement file.

Furthermore, Step 16 states that IQBs can only be placed for a **period of one year with the option to extend for no more than 90 days** when the SMA determines in writing that it is not practical to **award another contract** at the time of such extension. The End User must monitor the expiration date. **Before the contract expires**, the End User decides whether a new

procurement will be initiated. IFB-IQB No. 2019-2020 was awarded to five bidders per the September 17, 2020 memorandum approved by the SMA.

Title 2 GAR §3102(b) states that the time of performance of an indefinite quantity contract **may be extended upon agreement of parties**, provided the extension is for 90 days or less and the Chief Procurement Officer or the head of a Purchasing Agency determines in writing that it is not practical to award another contract at the time of such extension.

Our review of the procurement files found no evidence that the required six months review was performed, and a determination letter was executed, signed, and filed. However, we were subsequently provided a memo (**to the procurement file**) relative to the **determination to extend the IQB Contract**, which was signed by the SMA on December 13, 2021, specifying the extension period effective December 2021 until March 2022. The determination memo did not disclose the non-practicability of awarding another contract. Furthermore, there was no documented agreement between GDOE and Vendor A for such extension, **since there was no initial agreement/ contract executed.**

The 26 sampled POs for laptops were all issued to Vendor A, from December 2020 through March 2022 or within the allowable maximum term (See [Appendix 4](#)) for POs issued during FY 2021 to 2022). The acquisition dates of laptops per MUNIS System showed that GDOE had been acquiring/receiving laptops until **June 2022.**

Based on the internal SOP, GDOE must still comply with the IQB six-months review requirement. Therefore, we recommend strict compliance to this review requirement to ensure appropriate procurement method is used.

4. Inaccurate Disclosure in Certification of Completed Procurement Record

Title 5 GCA §5250 and 2 GAR, Div. 4, Procurement Regulations, §3130 state that no procurement award shall be made unless the Chief Procurement Officer, the Director of Public Works, or the head of a purchasing agency certifies in writing under penalty of perjury that he has maintained the record required by §3129 of these regulations and that it is complete and available for public inspection. The certificate is itself a part of the record.

In our initial inspection of the IFB-IQB No. 019-2020 procurement file, the Certification of Completed Procurement Record was not signed by the GDOE Superintendent. **Item 19 (contracts including draft versions) was marked on file.** A Certification of Completed Procurement Record was subsequently provided by the GDOE IAO team, which was signed by the GDOE Superintendent on November 18, 2020. Similarly, the signed certification showed **item No. 19 (contract including draft versions)** as marked as on file. However, in our follow-up review of the procurement record, no contract was seen on file.

The inaccurate disclosure and incomplete procurement record maintained for the IFB-IQB No. 019-2020 exhibited a lack of transparency and accountability. We recommend strict compliance on the completeness of procurement records and corresponding signed certification for all types of procurement.

Questionable Laptop Purchases and Distributions

Our further examination of documents related to this solicitation found questionable laptop purchases evident by the following:

- Purchases Apparently Not Made According to the Ultimate End User Needs
- Unopened and Undistributed Laptops
- Questionable Small Purchases

1. Purchases Apparently Not Made According to the Ultimate End User Needs

According to SOP #200-026, Schools and Divisions are the ultimate users of the procured services, supplies, materials, and equipment. End users are responsible for initiating requisitions in the MUNIS system. In all 11 POs sampled for the requisition process, initial steps were “completed (approved)” by the Curriculum and Instruction (C&I), TPFA and Financial Student and Administrative Information System (FSAIS) offices’ signatories.

a. Excessive PO Quantity versus IFB and Grant Budget

PO Quantity versus IFB Minimum Requirement

IFB-IQB No. 019-2020 Section 3: General Instruction and General Information (3.1.2-Indefinite Quantity Bid) stated that the objective is to establish a fixed price for laptops, mobile charging carts, storage cabinets, USB docking stations, monitors, iPads, Tablets/Chromebooks and wireless access points and injectors. Due to fluctuations in needs, these may increase during the award period and shall be subject to the availability of funds.

Section 2.3 Project Description–Minimum Hardware Requirements/Specifications, stated the minimum requirement basic laptop, admin laptop and Chromebook as follows:

- Basic Laptop = 1,804 units
- Admin Laptop = 275 units
- Chromebook = 100 units

Our review of GDOE IFB-IQB No. 019-2020 packet and POs referenced to this specific IFB, identified quantities ordered/purchased significantly exceeding the minimum hardware requirements stipulated in the IFB, which is for the three laptops totaling 2,179 units. However, laptops purchased per 16 POs identified with this IFB totaled 32,799 or an excess of 30,720 units. See Table 2A below.

Table 2A: DON Requirement versus PO

Type of Laptop	Min. Hardware Required per IFB	Purchase per PO	Excess over IFB	No. of POs	PO Coverage Date
Basic Laptop	1,804	18,945	17,141 = 950%	7	Dec. 2020 - June 2021
Admin Laptop	275	6,107	5,832 = 2,121%	5	Jan. 2021 - April 2021
Chromebook	100	6,697 1,050	7,747 = 7,747%	4	Dec. 2020 - June 2021
TOTAL	2,179	32,799	30,720 = 1,410%	16	

The 16 sampled POs for 32,799 units with a total value of \$23.1M were supported with DONs, which *generally stated the need to procure laptops/ tablets for distance learning and face-to-face instruction for social distancing*. The DONs prepared from August 2020 through March 2022 did not specify the quantities needed to support the POs. The first PO (20210096-00 - \$339K) was issued on December 1, 2020, and the last PO (20221094 - \$340K) was issued on March 11, 2022. There were 13 POs that were signed under the Purchasing Authority/Certifying Officer portion by the TPFAs Senior Grant Manager and three POs were signed by the Director. See Table 2A and 2B.

Although the IFB is for an indefinite quantity of laptops and due to fluctuation of needs, the quantities may increase during the award period. The excessive quantities purchased compared with the minimum hardware requirement per IFB did not appear to be properly analyzed and reviewed and thus needs to be justified.

We recommend that GDOE refrain from overusing the IQB without documented reasonable and data-based determination of need that is thoroughly reviewed.

Table 2B: POs Issued Based on IFB-IQB No. 019-2020

PO No.	Quantity	Total Amount	DON Signatory	Intended User
20210476-00	9,815	\$8,097,817	Program Coordinator IV, 8/10/2020	Student and personnel
20210890-00	3,511	\$1,137,564	Program Coordinator IV, 1/21/2021	Student and personnel
20211301-00	2,430	\$1,782,842	Program Coordinator IV, 2/28/2021	Classroom instruction
20211376-03	2,111	\$1,474,747	Program Coordinator IV, 3/3/2021	Student use in classroom
20212012-02	8,520	\$6,563,050	Program Coordinator IV, 5/11/2021	For distant learning in the district
2021-000159	1,050	\$340,200	Program Coordinator IV, 3/2/2022	For student use
20210355-00	850	\$720,605	Admin Officer, 10/26/2020	Students with disabilities
20221094-00	1,080	\$792,374	PCIV/Project Lead, 10/26/2020	Student use in classroom
20210148-00	816	\$264,384	State Program Officer, 8/27/2020	Students to re-open schools under pandemic health emergency plan
20210362-00	540	\$300,665	PCIV/Project Lead, 10/26/2020	Student use in classroom
20210096-00	400	\$339,108	State Program Officer, 8/27/2020	Students to re-open schools under pandemic health emergency plan
20210357-00	390	\$330,630	State Program Officer, 12/14/2020	For students to expand instruction
20210713-00	361	\$264,859	PCIII, 12/15/2020	Student use in classroom

20211202-00	330	\$279,764	CCCLR Program Coordinator, 3/4/2021	Student use for CCCLR activities
20210356-00	325	\$275,525	State Program Officer, 12/14/2020	For Pre-AP and AP classes
20210312-00	270	\$87,480	State Program & State Financial Officer, 8/7/2020	For distance learning & live streaming and access to online curriculum
TOTAL	32,799	\$23,051,614		

b. Laptops Purchased Exceeded the Grant Budget
Consolidated Grant

According to the DON, the purchases will be funded by the FY 2019 Consolidated Grant to expire on September 30, 2020. Based on the details of the budget narrative relative to the Grant Award Notification signed in August 2019, the following are the budget categories outlined. See Table 3.

Table 3: Budget Categories

Budget Categories	FY 2018 Carry over Funds Subtotals	FY 2019 Funds Sub-totals	Totals
Equipment	\$182,215.75	\$88,940.00	\$271,155.75
Supplies	\$550,595.17	\$205,425.19	\$756,020.36
Contractual (purchased services)	\$364,217.54	\$2,198,576.35	\$2,562,793.89

The itemized budget defines the following:

- Equipment refers to machinery/equipment, information technology equipment hardware, computer software. Examples are: laptop carts, routers, white boards, CTE classroom equipment bar code scanners, desk printer, etc.
- **Supplies** refer to office supplies, repair and maintenance supplies, computers, cameras software, books, e-books and periodicals. Examples are: Admin supplies, **laptop and software**.
- Contractual (purchased services) refer to contractual/professional services, communication services, training/professional development services. Examples are: contractual services for NCAC Certification, Skills USA membership, Advertising and Printing services, etc.

Based on the budget categories, it appeared that POs issued from December 2020 through March 2022 totaling \$24.6M have significantly exceeded the budget for Consolidated Grant **for supplies (which include laptops and software) amounting to \$756K**. However, Consolidated Grant funds used for the laptops per MUNIS record provided by GDOE IAO amounted to \$7.2M. Other federal funds and local funds totaling \$17.3M were also used to fund the purchases.

c. Purchases Exceeded Public School Student Population

The 34,503 laptops costing \$24.6M were purchased for public schools, private schools, and other GDOE office locations. Although public schools reopened for face-to-face instruction in September 2021 per Executive Order 2021-23, GDOE continued to receive laptops through November 2022. Based on our analysis of the GDOE MUNIS record, we found that GDOE purchased laptops in **excess** of the ultimate end-user needs.

The MUNIS record showed that 14,285 laptops already in inventory prior to the purchase of the additional laptops, were still usable at the end of FY 2022. With the 34,503 laptops purchased during FY 2021 to FY 2022, laptops available for use totaled 51,603. For GDOE public school use, GDOE purchased 29,531 or **2,034** more laptops than its 27,497 student population in School Year (SY) 2020-2021. If the existing laptops are to be considered in the laptop requisitions, there appears to be an excess purchase of **16,319** laptops for public school use.

Furthermore, GDOE purchased **4,970** laptops in addition to existing inventory of **2,817** for private schools, charter schools, and other support departments. We cannot determine the potential excess due to the unavailability of count of ultimate end users from these groups. See [Appendix 5](#) for details.

There is no evidence that laptop purchases were made with consideration of the laptops already in school inventory. Although these purchases using federal grants were approved by the TPFA representatives based on DONs, and POs, we questioned the excess quantity of laptop purchases over the recorded student population. To prevent potential waste of resources, purchases should be restricted only to data-based verified ultimate end user need.

2. Unopened and Undistributed Laptops

During a visit with the GDOE IAO in November 2022, we were shown the storage room at GDOE headquarters with an estimated **1,200** laptops still in their original boxes. These laptops are assigned to the C&I Office. In the MUNIS inventory records, **1,497** laptops were distributed to the C&I office, with an existing inventory of **80**.



These undistributed laptops were purchased under PO #20210476 and PO #20210376-03 issued between January 2021 and April 2021. Both POs are supported with DONs and distribution plans; however, these laptops were not delivered to the schools. Although the majority of these laptops were delivered to C&I in June 2021, these were first seen in storage on **November 18, 2022, and again on February 14, 2023** (image at the top right). Non-distribution of these laptops signifies that the laptops were not urgently needed,

thus, a questionable determination of ultimate end users' need. The DONs must be carefully reviewed prior to the issuance of POs. The non-distribution of these laptops indicates a flaw in the internal control in planning requisitions and distributions. It reflects ineffectiveness in determining the need for the laptops and the timeliness of their distribution. To ensure efficient use of government resources, we recommend thoroughly establishing the determination of need, control, and distribution of assets with appropriate review and approval from responsible officials.

Furthermore, during the OPA and GDOE IAO site visits to 10 schools in May 2023, we found five schools still had unused laptops in boxes. The number of laptops in their original boxes ranged from **14 to 66**. We were informed that some laptops were recently provided by the mayors' offices or the GDOE Central Office.

Keeping these laptops idle and unused signifies that these were requisitioned and distributed in excess of the end user's urgent need.

3. Questionable Small Purchase

5 GCA §5213 - Small Purchase

Any procurement not exceeding \$25K for supplies or services and not exceeding \$100K for construction may be made in accordance with small purchase regulations promulgated by the Policy Office, which shall include the requirements, in a Request for Quotes (RFQ) small purchase solicitation of no less than three (3) positive written quotations from qualified sources that shall be part of the procurement record.

The purchasing agency shall include a list of all qualified vendors for the items procured in the procurement record. Small purchase requirements shall not be **artificially divided** to constitute a small purchase.

According to GDOE SOP #200-026 Section VII-Commodity or Service Amounts, an IQB is typically used for the procurement of supplies over the small purchase limit. For locally funded small purchases (\$25K and below), there must be a minimum of three positive written quotes. For a procurement cost of above \$25K, it must issue an IFB or Multi-Step Bid and must be advertised. For USDOE federally funded small purchases (\$150K and below), there must be three quotes, and for procurement costs over \$150K, there must be a formal solicitation. The small purchase threshold under federal regulations was increased from \$150K to \$250K effective June 2018.



We sampled 10 other POs totaling \$432K, which were not referenced to IFB-IQB No. 019-2020 but were procured via a small purchase method of solicitation. Our review disclosed the following:

a. High-end Specifications and High Cost Small Purchases

In addition to the 32,799 laptops purchased valued at \$23.1M identified with the IFB-IQB No. 019-2020, GDOE purchased an additional 246 laptops valued at \$427K via nine POs, using the small purchase solicitation method. While comparing the DONs, which do not specify the quantity and type/model of laptop, but contain the descriptions of the laptops purchased per corresponding PO, we noted that high-end laptops with high unit costs ranging from \$989 to \$3,879 were purchased for student/teacher needs. POs were based on RFQs, **which specify the quantity and the model/type of laptop intended to be purchased.** The six vendors for these POs were either not awarded with laptops or non-bidders as they did not submit bids for the IFB. Two of these POs had items not awarded or had unit costs not in the IQB awarded listing.

Additionally, although GDOE requested written quotations, there were no summaries for bids received or bid abstracts to document the responders to the RFQ, comparison of quotations received, determination of lowest bidder awarded, and the approval of the awarded vendor. POs for these small purchases were not signed by the vendor to signify acceptance. To maintain accountability and transparency, we recommend compliance with the small purchase required documentation. See Table 4.

Table 4: High End & High Cost Small Purchase

Vendor	PO	Model/Type	Quantity	Unit cost	Total Cost	Determination of Need
Vendor B*	20212618	A2338/13 inch MACBOOK PRO	151	\$1,648.03	\$248,852.53	For SIFA IT Room, Student
Vendor C*	20211361	APPLE A2289/3.3 MacBook Pro with Retina Display	36	\$1,684.00	\$ 60,624.00	For distance learning, live streaming, and access to on line curriculum
Vendor D**	20212269	APPLE A2338/MacBook Pro 13"	28	\$1,527.00	\$ 42,756.00	For teachers & students
Vendor E**	20210966	LENOVO 81 TY/15.6 screen resolution 1920 x1080; Processor i7- 9850H	7	\$3,879.00	\$ 27,153.00	Staff laptops to support project personnel
Vendor G**	20210637	APPLE A2289/13.3 MacBook Pro with Retina display	10	\$1,649.00	\$ 16,490.00	Instruction supplies
Vendor A***	20211612	ThinkPad X1 Yoga GEN 6	7	\$2,146.67	\$ 15,026.69	Additional laptop for staff to have reliable software & hardware
Vendor F**	20211580	APPLE A 2141/ 16 inch MacBook Pro	3	\$3,009.00	\$ 9,027.00	For student use in classroom

Vendor G**	20210223	APPLE MXWU 2LL/A/iMac 27" Retina 5K Display	2	\$2,429.00	\$ 4,858.00	For PLUM school Library Program
Vendor E****	20210456	LENOVO FLEX 5/Lenovo 15.6" IDEAPAD FLEX	2	\$ 989.00	\$ 1,978.00	For related personnel & related SVC PSYCH
	TOTAL		246		\$ 426,765.22	

* not awarded with laptops *** not in the awarded items per IQB awarded listing
** non-bidders **** not an awarded unit cost per IQB awarded listing

b. Appearance of Artificial Division

GCA §5213 specifies that a small purchase should not be artificially divided to constitute a small purchase. Of the sampled POs, nine POs for 246 units with a total value of \$427K had amounts between \$1,978 and \$249K, thus, the purchase appeared to be artificially divided so as not to exceed the federal threshold of \$250K for small purchases. See also Table 4 above.

Furthermore, 36 POs recorded in the MUNIS system (not covered in our sample) were issued for 1,447 units valued at \$1.1M, ranged from \$700 to \$170K. Similarly, these POs appeared artificially divided to qualify as a small purchase. The cost of the 45 POs totaling \$1.5M, could have been subjected to the OAG review as the procurement value exceeded \$500K. Therefore, we questioned the cost of these POs aggregating \$1.1M with the appearance of artificial division.

To preserve the integrity of the procurement process, we recommend that GDOE refrain from artificially dividing POs to qualify for small purchases. Purchases shall also be made in accordance with the end user's needs.

Noncompliance with Asset Management SOPs

1. Inconsistencies with DONs, POs and Distribution Plans

Under GDOE SOP #200-015 Section 3.1.1, a distribution plan should be established before any incoming assets/equipment are allocated/delivered to the school/division and end-users. A distribution plan is a document prepared by the Program Coordinator/Project Lead/Project Director or end-user and provides details to the GDOE Central Warehouse on the new fixed assets to be allocated to the schools/divisions upon receipt and processing.

a. PO No. 20221094-Requisition #20221923- LENOVO 81MB67US/LENOVO NOTEBOOK- \$340K

The DON states “To procure technology for student use for 25 public schools.” However, per the Acceptance of Receipt duly signed by the GDOE personnel who received the laptops, 1,050 laptops were only distributed to **five** public schools, exceeding or short of the Distribution Plan. VSA Benavente Middle School received 360 laptops, although the school is not included in the Distribution Plan, while 20 schools did not receive any of the allotted 840 laptops. See Table 5. The record reflects that the Distribution Plan was not followed in the distribution process.

Table 5: Questionable Distribution of Laptops

School	Quantity - Need Per Distribution Plan	Quantity Distributed/Received
BP Carbullido ES	60	30
Chief Brodie MES	30	160
DL Perez ES	60	20
MA Sablan ES	30	90
Wettengel ES	30	390
MS VSA Benavente	0	360
20 other schools	840	0
Total	1,050	1,050

b. PO No. 20210476- Requisition No. 20210221 – Lenovo L13 YOGA

1,915 laptops were purchased under PO No. 20210476. In our review of the receiving reports and the distribution plan, we identified inconsistencies. The quantity of laptops delivered to the six schools did not match the quantity distributed on the distribution plan. This brings into question the planning and need for the laptops. See Table 6.

Table 6: Distribution Plan and Receiving Report

School	Quantity - need per distribution plan	Quantity distributed/received
LBJES	150	0
CHIEF BRODIE	150	120
FINES	210	450
IES	150	90
TALES	150	120
HB PES	180	210
Total	990	990

c. PO No. 20211376 – Requisition # 20211468- \$1.3M

The distribution plan did not match the quantity of laptops on the PO. Although the quantity of laptops received by the end users matched the quantity on the POs, the distribution plan reflected different quantities. The quantity per PO was 2,111 laptops, while the distribution plan was for 1,830 laptops or less by 281. The discrepancies in documentation indicate ineffective planning and review, which weakens the internal control system.

It appeared that distribution plans were prepared merely for compliance and not used for its intended purpose. A strict review of the distribution plan, and monitoring and documenting of the delivery and acknowledgement process must be implemented to strengthen internal control. GDOE needs to verify deviations.

We recommend to strictly review distribution plans and monitor if delivery/acknowledgment process is conducted in accordance with the plan. Verify deviations.

Weaknesses in Internal Controls

1. Maintenance of Inventory Records and Physical Control of Assets

a. **Discrepancies in Physical Inventory and MUNIS Inventory Records**

We conducted a physical count of laptops in 10 selected GDOE public school sections or rooms. We found discrepancies between the physical count and the MUNIS inventory record (as of May 5, 2023). One school had **53 laptops, more** than what was recorded on the MUNIS inventory records. All other nine schools visited had a physical count that was less than what was recorded on the MUNIS inventory records, ranging from 11 to 174 laptops.

These discrepancies are indicative of non-reconciliation of physical assets against the recorded transactions and a lack of periodic monitoring of the physical existence of the assets. Therefore, there is a weakness in the internal controls with maintaining inventory records and physical control of assets. See Table 7.

Table 7: Inventory Count and Records

School	Room	OPA Count	MUNIS	Difference
Simon Sanchez High School	AV ROOM	496	828	-332
Finegayan Elementary School	LIBRARY	12	140	-128
George Washington High School	B100	143	280	-137
Benavente Middle School	LIBRARY	746	871	-125
Astumbo Middle School	LIBRARY	294	334	-40
Lyndon B Johnson Elementary School	LIBRARY	89	126	-37
Marcial A Sablan Elementary School	LIBRARY	30	65	-35
Harry S Truman Elementary School	LIBRARY	60	91	-31
Tamuning Elementary School	LIBRARY	38	48	-10
Okkoddu High School	E114	903	850	53

We acknowledge that the discrepancies could have been due to the temporary transfer of laptops to different locations within the school premises. However, to preclude the potential loss of these assets, we recommend the following measures: a) periodic monitoring of the movement of the assets, b) conduct physical count/inspection, and 3) reconcile records.

b. **Unopened & Undistributed Laptops**

Approximately 1,200 laptops were seen by OPA at the storage room of GDOE headquarters in November 2022 and again in February 2023 in the same location. The non-distribution of these laptops indicates a flaw in the internal control in planning requisitions and distributions. It reflects ineffectiveness in determining the need for the laptops and the timeliness of their distribution. To ensure efficient use of government resources, we recommend thoroughly establishing the determination of need, control, and distribution of assets with appropriate review and approval from responsible officials.

c. Inconsistencies between the MUNIS record and PO

One unit of Lenovo L-13 Yoga for \$1,650 in the MUNIS inventory records, indicated as purchased under PO #20210476, cannot be found in the examined PO. Additionally, MUNIS recorded 3,511 laptops purchased under PO #20210890. However, that PO reflected a total of 3,510 laptops. The inconsistencies and input errors in the MUNIS system showed lapses in reviewing and approving inputted data into the system. To ensure the reliability of data generated by the MUNIS system, we recommend a review of data inputs into the system.

Other Matters

During our review, we found some issues which are not within our audit objectives however, we believe these matters need to be communicated to the GDOE management for remedial action.

GDOE Did Not Retrieve All Laptops Issued to Students

As of the November 2022 data, **806** students from some schools were still in possession of the issued laptops. In our discussions with school officials, efforts are being made to retrieve the laptops from students, and when it is determined that it is beyond their capability to retrieve these back, a police report is filed. For laptops that were returned, these were added to the inventory, reassigned to classrooms, or put in storage to be used as needed.



Inadequate Secured Laptop Storage

In our visit to 10 schools, we found some schools that were lacking the carts and cabinets necessary for sufficient storage of these laptops. We observed laptops stacked on top of each other in almost every school visited, with as many as 20 laptops in a stack.

The infrastructure at one school did not allow for laptops to be safely stored in classrooms. These classroom structures were deemed unsafe and not suitable for storage, which led to the laptops being stored in large quantities in a more secured room. In one school, laptops were easily accessible and kept in an unlocked cart by the library entrance.

In five out of the 10 schools visited, there were concerns over the infrastructure not being capable of providing sufficient power to the charging carts and charging cabinets without damaging the building’s electrical system.

Laptop Inventory Status

As of November 2022, 59,852 laptops were active on GDOE's MUNIS system, which includes the 34,503 (57%) laptops purchased during FY 2021 and FY 2022. The MUNIS system accounted for 2,032 laptops disposed of from November 2020 through November 2022, as follows: one missing; 2,020 retired/disposed; and 11 stolen.

Per USDOE Inventory Inspection Summary for GDOE for SY 2021-2022, total fixed assets inventory of 75,600 funded by USDOE increased by 25,126 (or 49.8%) from prior year's inventory. Of the total, 2,645 were retired/disposed; 5,918 were missing and 482 were stolen. Of the 5,918 missing inventory, the highest is 5,478 for computer peripherals, 872 of 5,918 missing assets were located for inspection.



Conclusion and Recommendations

The GDOE purchased 34,503 laptops valued at \$24.6M in FY 2021 through FY 2022. Our review of documents relative to procurement processes, purchases and distributions, grant budget, and applicable internal controls found some apparent indications of improper purchases generally arising from the following:

- a) Noncompliance with procurement laws, regulations, and GDOE internal policies and Standard Operating Procedures (SOP);
- b) Questionable excessive laptop purchases and distributions; and
- c) Significant weaknesses in internal controls.

We questioned \$23.1M for laptops purchased under IFB-IQB No. 019-2020 without a contract with vendors. Additionally, we also questioned the purchase of 1,693 laptops totaling \$1.5M procured through small purchases covered by 45 POs, which appeared to be artificially divided.

We uphold GDOE management's decisive action, determination, and effort to respond to the needs of a significant Guam student population to provide the best education during the period of the COVID-19 pandemic. The tasks of planning, fund sourcing, procurement, purchasing, and distribution to the end-users is a great responsibility shouldered by the GDOE and other government officials. However, these tasks need to be performed in adherence to Guam procurement laws, rules, and regulations and GDOE's internal policies and procedures with great consideration of internal controls in executing processes.

As a significant amount of federal funds was used to purchase these laptops, GDOE needs to institute corrective measures to prevent more recurrences and ensure efficient use of local and federal resources that excess funds could be allocated to other viable government programs. Below are our recommendations for procurement and internal controls.

I. Procurement

To ensure transparency, accountability and integrity of the procurement process, GDOE Superintendent, Deputy Superintendent of Finance & Administrative Services, Procurement Office management and staff need to adhere to the following:

1. For any type of procurement valued above \$500K, OAG involvement in the entire procurement process must be strictly adhered to.
2. Strictly adhere to all IFB-IQB requirements most importantly on agreement/contracts to ensure compliance with its terms and conditions.
3. Amend SOP on Competitive Sealed Bidding for IFB and IQB to include procurement of office supplies and equipment valued above \$500K relative to contract execution for OAG and Governor's approval.
4. Strict compliance to IQB review requirement to ensure appropriate procurement method is used.
5. Strict compliance on the completeness of procurement record and corresponding signed certification for all types of procurement.

6. Refrain from overusing IQB without documented reasonable and data based determination of need thoroughly reviewed.
7. Refrain from artificially dividing procurement to qualify for the small purchase and comply with required documentation.

II. Internal Control

Strengthen internal control system on purchases, distribution and physical control of properties and ensure efficient use of resources, by instituting the following measures:

1. Strictly review distribution plans and monitor if the delivery/acknowledgment process is conducted in accordance with the plan. Verify deviations.
2. Determination of need, control, and distribution of assets be thoroughly established with appropriate review and approval from responsible officials.
3. Periodic monitoring of movements of properties, conduct physical count/inspection, and reconcile records.
4. Ensure the accuracy and reliability of data generated by the MUNIS system, and review data inputs into the system.

III. Other Matters

GDOE management needs to address prevailing issues relative to physical control, adequate secured storage, and infrastructure to preserve its assets and minimize potential waste in the use of public funds and resources.

Classification of Monetary Amounts

No.	Finding Description	Questioned Cost	Potential Savings	Unrealized Revenues	Other Financial Impact	Total Financial Impact
Evidences of Noncompliance						
	1. No evidence of OAG’s involvement throughout the procurement process	\$0	\$0	\$0	\$0	\$0
	2. No agreement/contract with solely awarded Vendor A	\$0	\$0	\$0	\$0	\$0
	3. IQB review requirement not performed	\$23.1M	\$0	\$0	\$0	\$23.1M
	4. Inaccurate Disclosure in Certification of Completed Procurement Record	\$0	\$0	\$0	\$0	\$0
Questionable Laptop Purchases & Distributions						
	1. Purchases Apparently not made According to Ultimate End User Need	\$0	\$0	\$0	\$0	\$0
	a. Excessive PO Quantity versus IFB and Grant Budget	\$0	\$0	\$0	\$0	\$0
	i. PO Quantity versus IFB Minimum Requirement	\$0	\$0	\$0	\$0	\$0
	b. Laptops Purchased Exceeded Grant Budget	\$0	\$0	\$0	\$0	\$0
	c. Purchases Exceeded Public School Student Population	\$0	\$0	\$0	\$0	\$0
	2. Unopened & Undistributed Laptops	\$0	\$0	\$0	\$0	\$0
	3. Questionable Small Purchase	\$0	\$0	\$0	\$0	\$0
	a. High-end and High Cost Small Purchase	\$0	\$0	\$0	\$0	\$0
	b. Appearance of Artificial Division	\$1.5M	\$0	\$0	\$0	\$1.5M
Noncompliance with Asset Management SOPs						
	1. Inconsistencies with DON POs and Distribution Plan	\$0	\$0	\$0	\$0	\$0
	a. PO No. 20221094-Requisition #20221923- LENOVO 81MB67US/LENOVO NOTEBOOK-\$340K	\$0	\$0	\$0	\$0	\$0
	b. PO No. 20210476- Requisition No. 20210221 – Lenovo L13 YOGA	\$0	\$0	\$0	\$0	\$0
	c. PO No. 20211376 – Requisition # 20211468- \$1.3M	\$0	\$0	\$0	\$0	\$0
Weaknesses in Internal Controls						
	1. Maintenance of Inventory Records and Physical Control of Assets	\$0	\$0	\$0	\$0	\$0
	a. Discrepancies in Physical Inventory and MUNIS Inventory Records	\$0	\$0	\$0	\$0	\$0
	b. Unopened & Undistributed Laptops	\$0	\$0	\$0	\$0	\$0
	c. Inconsistencies between MUNIS Record and PO	\$0	\$0	\$0	\$0	\$0
Other Matters						
	1. GDOE did not Retrieve All Laptops Issued to Students	\$0	\$0	\$0	\$0	\$0
	2. Inadequate Secured laptop Storage	\$0	\$0	\$0	\$0	\$0
	3. Laptop Inventory Status	\$0	\$0	\$0	\$0	\$0
	Total	\$24.6M				\$24.6M

Management Response and OPA Reply

The OPA sent preliminary questions to the GDOE officials on May 2, 2023 and subsequently on September 14, 2023, but OPA received no response. A preliminary draft audit report was transmitted to GDOE on August 2, 2023. On August 17, 2023, OPA and GDOE met to discuss the preliminary draft audit report for feedback and comments. A final draft audit report was sent to GDOE management on January 31, 2024. In addition, an exit conference meeting was later held on February 9, 2024, to discuss the audit findings, conclusion, and recommendations. GDOE's official management response was received on February 20, 2024.

GDOE generally concurred with OPA's findings, except GDOE maintained their standing that the procurement of the laptops is not excessive. GDOE stated that in determining the amount of laptops needed, GDOE does not only consider the student population, but also the needs of support staff and students from private, non-public schools and charter schools.

OPA Reply

We requested for data to support GDOE's standing that purchases for laptops were not excessive. However, the OPA has not received the requested data. Our audit findings remained the same.

GDOE concurs with OPA's recommendations and is already implementing actions to address planning, monitoring, reviewing, and approving all inventory of laptops and overall asset management. In addition, the GDOE Property Management Office (PMO) will provide annual training to Property Liaisons on the required method for updating their school/divisions' inventory records. Lastly, GDOE will work with the OPA and the OAG and defer to their guidance for procurements exceeding \$500K, which requires the OAG and OOG's approval.

See [Appendix 6](#) for the details of GDOE's official management response.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, document the progress in implementing the recommendations, and endeavor to have implementation completed no later than the beginning of the next fiscal year.

We appreciate the cooperation and assistance given to us by the GDOE Superintendent, management, Internal Audit Office, and staff during this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz
Public Auditor

Appendix 1:**Objectives, Scope and Methodology**

Objectives

The objectives of this audit were to determine whether:

- 1) Laptop purchases followed applicable procurement rules, regulations, and internal policies and procedures; and
- 2) The internal controls are effective from inventory acquisition to inventory management.

Scope

We reviewed GDOE's procurement files, MUNIS laptop purchase records, selected purchase orders and relative procurement documents. The audit scope covered laptops purchased in FY 2021 and FY 2022 and those laptops in inventory at the time of inspections.

Methodology

To accomplish the objectives, we performed the following:

- Identified and reviewed applicable laws, rules and regulations, and SOPs.
- Met with GDOE IAO's Auditors and GDOE selected school management to gain a better understanding of the procurement, process, requisition, distribution recording, safekeeping and inventory management.
- Judgmentally selected samples and tested them against relevant criteria and examined documentary evidences.
- Sent questionnaires relative to preliminary findings for an objective review and analysis of noted deficiencies.
- Analyzed data collected and formulated findings.
- Discussed findings with GDOE representatives.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan 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 audit objectives.

Appendix 2:**Prior Audit Coverage**

Guam Department of Education Single Audit Reports Year Ended September 30, 2020

Finding No.: 2020-001

Area: Equipment and Real Property Management

GDOE did not complete its annual physical inventory of property, which commenced in January 2020. Although GDOE experienced limitations brought about by the Coronavirus pandemic in March 2020, no documentation was provided to demonstrate efforts to resume the inventory during the remainder of the calendar year 2020 or to obtain extensions from oversight authorities.

GDOE did not enforce compliance with applicable equipment and real property management requirements.

GDOE is in noncompliance with applicable equipment and real property management requirements for an annual physical inventory of property. There is a potential for the loss, damage, or theft of a property to go undetected and uncorrected.

Applicable Laws, Rules, and Regulations

5 GCA §5211(g). Award

The contract shall be awarded with reasonable promptness by written notice to the lowest responsible bidder whose bid meets the requirements and criteria set forth in the Invitation for Bids and whose bid amount is sufficient to comply with Article 13 of this Chapter, if applicable. In the event all bids for a construction project exceed available funds by more than five (5%), the Chief Procurement Officer, the Director of Public Works, or the head of a purchasing agency, is authorized, in situations where time or economic considerations preclude resolicitation of work of a reduced scope, to negotiate and adjustment of the bid price, including changes in the bid requirements, with the low responsive and responsible bidder, in order to bring the bid within the amount of available funds.

5 GCA §5213 (a), (a)(3), (b) Small Purchases

Any procurement not exceeding Twenty-five Thousand Dollars (\$25,000) for supplies or services, and not exceeding One Hundred Thousand Dollars (\$100,000) for construction, may be made in accordance with small purchase regulations promulgated by the Policy Office, which shall include the requirements, in a Request for Quotes (RFQ) small purchase solicitation, to solicit and obtain, to the maximum extent practicable, no less than three (3) positive written quotations from qualified sources that shall be part of the procurement record.

The purchasing agency shall include in the procurement record of a small purchase solicitation made by RFQ, regardless of whether it was concluded, an attestation containing: (3) GSA's list of all qualified vendors for the item(s) or service(s) being procured.

Small purchase requirements shall not be artificially divided so as to constitute a small purchase under this Section.

2 GAR, Div. 4, §3119(i)2. Indefinite Quantity

An indefinite quantity contract is a contract for an indefinite amount of supplies or services to be furnished at specified times, or as ordered, that establishes unit prices of a fixed-price type... Each contract proposed should be entered into by the Chief Procurement Officer, the Director of Public Works, or the head of the purchasing agency indicating the rationale for using this type of contract and the reasons why another contract form will not suffice. Such contracts will be reviewed every 6 months for a determination of the continued need for such a contract. In an effort to ascertain that supplies and services are procured competitively, indefinite quantity contracts shall not be used more than twice per fiscal year for such supplies and services. Should the department or agency continue to require the supplies or services, the procurement for such supplies or services must comply with §3109 (Competitive Sealed Bidding) or §3111 (Small Purchases).

2 GAR, Div. 4, §3102(b). Extension on Time and Indefinite Quantity Contracts

The time of performance on an indefinite quantity contract may be extended upon agreement of the parties, provided the extension is for 90 days or less and the Chief Procurement Officer, the Director of Public Works, or the head of a purchasing agency determines in writing that it is not practical to award another contract at the time of such extension.

Applicable Laws, Rules, and Regulations

2 GAR, Div. 4, §3109 (n)(1), (n)(4), (n)(5) Bid Evaluation and Award

The contract is to be awarded “to the lowest responsible and responsive bidder” whose bid meets the requirements and criteria set forth in the Invitation for Bids. See 5 GCA §5211(g) (Competitive Sealed Bidding, Award) of the Guam Procurement Act. The Invitation for Bids shall set forth the requirements and criteria which will be used to determine the lowest responsive bidder. No bid shall be evaluated for any requirement or criterion that is not disclosed in the Invitation for Bids.

Following determination of product acceptability as set forth in Subsection 3109(m)(3) of this Section, if any is required, bids will be evaluated to determine which bidder offers the lowest cost to the territory in accordance with the evaluation criteria set forth in the Invitation for Bids. Only objectively measurable criteria which are set forth in the Invitation for Bids shall be applied in determining the lowest bidder. Examples of such criteria include, but are not limited to, transportation cost, and ownership or life cycle cost formulas. Evaluation factors need not be precise predictors of actual future costs, but to the extent possible such evaluation factors shall: (a) be reasonable estimates based upon information the territory has available concerning future use; and (b) treat all bids equally.

Nothing in this Section shall be deemed to permit contract award to a bidder submitting a higher quality item than that designated in the Invitation for Bids if such bidder is not also the lowest bidder as determined in Subsection 3109(m)(4) of this Section. Further, this Section does not permit negotiations with any bidder except as authorized on Section 2108 of these Regulations with regard to a construction project.

2 GAR, Div. 4, §3109(p) Documentation of Award

Following award, a record showing the basis for determining the successful bidder shall be made a part of the procurement file.

2 GAR, Div. 4, §3130 Certification of Records

No procurement award shall be made unless the Chief Procurement Officer, the Director of Public Works or the head of a Purchasing Agency certifies in writing under penalty of perjury that he has maintained the record required by §3129 of these regulations and that it is complete and available for public inspection. The certificate is itself a part of the record.

Laptop Purchases Based on POs Issued for FY 2021 to FY 2022

Count	PO Number	Quantity	Unit Cost	Total Amount
1	2021-0476	1	\$ 1,650.00	\$ 1,650.00
		1,955	\$ 733.68	\$ 1,434,344.40
		7,860	\$ 847.77	\$ 6,663,472.20
	total	9,816		\$ 8,099,466.60
2	2021-0890	3,511	\$ 324.00	\$ 1,137,564.00
3	2021-1301	2430	\$ 733.68	\$ 1,782,842.40
4	2021-1376	540	\$ 324.00	\$ 174,960.00
		281	\$ 733.68	\$ 206,164.08
		1290	\$ 847.77	\$ 1,093,623.30
	total	2111		\$ 1,474,747.38
5	2021-2012	1260	\$ 324.00	\$ 408,240.00
		7260	\$ 847.77	\$ 6,154,810.20
	total	8520		\$ 6,563,050.20
6	2021-0355	1080	\$ 733.68	\$ 792,374.40
7	2022-1094	1050	\$ 324.00	\$ 340,200.00
8	2021-0159	850	\$ 847.77	\$ 720,604.50
9	2021-0148	816	\$ 324.00	\$ 264,384.00
10	2021-0362	300	\$ 324.00	\$ 97,200.00
		240	\$ 847.77	\$ 203,464.80
	total	540		\$ 300,664.80
11	2021-0096	400	\$ 847.77	\$ 339,108.00
12	2021-0357	390	\$ 847.77	\$ 330,630.30
13	2021-0713	361	\$ 733.68	\$ 264,858.48
14	20211202	330	\$ 847.77	\$ 279,764.10
15	20210356	325	\$ 847.77	\$ 275,525.25
16	20210312	270	\$ 324.00	\$ 87,480.00
17	20210272	200	\$ 847.77	\$ 169,554.00
18	20212618	151	\$ 1,648.03	\$ 248,852.53
19	20213366	146	\$ 733.68	\$ 107,117.28
20	20213135	120	\$ 847.77	\$ 101,732.40
21	20210165	120	\$ 847.77	\$ 101,732.40
22	20210332	120	\$ 847.77	\$ 101,732.40
23	20210593	110	\$ 733.68	\$ 80,704.80

Laptop Purchases Based on POs Issued for FY 2021 to FY 2022

Count	PO Number	Quantity	Unit Cost	Total Amount
24	20210216	71	\$ 733.68	\$ 52,091.28
25	20210088	70	\$ 733.68	\$ 51,357.60
26	20210527	60	\$ 324.00	\$ 19,440.00
27	20214257	50	\$ 733.68	\$ 36,684.00
28	20213995	43	\$ 733.68	\$ 31,548.24
29	20211361	36	\$ 1,684.00	\$ 60,624.00
30	20213973	30	\$ 847.77	\$ 25,433.10
31	20210409	30	\$ 324.00	\$ 9,720.00
32	20210172	30	\$ 847.77	\$ 25,433.10
33	20210299	30	\$ 324.00	\$ 9,720.00
34	20212269	28	\$ 1,527.00	\$ 42,756.00
35	20210103	28	\$ 733.68	\$ 20,543.04
36	20213913	24	\$ 733.68	\$ 17,608.32
37	20210720	22	\$ 324.00	\$ 7,128.00
38	20210316	18	\$ 847.77	\$ 15,259.86
39	20210349	15	\$ 847.77	\$ 12,716.55
40	20210462	15	\$ 324.00	\$ 4,860.00
41	20211295	15	\$ 847.77	\$ 12,716.55
42	20212446	12	\$ 733.68	\$ 8,804.16
43	20212015	10	\$ 529.00	\$ 5,290.00
44	20211247	10	\$ 847.77	\$ 8,477.70
45	20210637	10	\$ 1,649.00	\$ 16,490.00
46	20210342	10	\$ 324.00	\$ 3,240.00
47	20211287	8	\$ 733.68	\$ 5,869.44
48	20210966	7	\$ 3,879.00	\$ 27,153.00
49	20211612	7	\$ 2,146.67	\$ 15,026.69
50	20210403	6	\$ 733.68	\$ 4,402.08
51	20210721	6	\$ 324.00	\$ 1,944.00
52	20210708	5	\$ 324.00	\$ 1,620.00
53	20210660	5	\$ 324.00	\$ 1,620.00
54	20210389	5	\$ 847.77	\$ 4,238.85
55	20213922	4	\$ 847.77	\$ 3,391.08
56	20210420	3	\$ 847.77	\$ 2,543.31
57	20211580	3	\$ 3,009.00	\$ 9,027.00
58	20210639	3	\$ 733.68	\$ 2,201.04
59	20210223	2	\$ 2,429.00	\$ 4,858.00
60	20211324	2	\$ 847.77	\$ 1,695.54
61	20210456	2	\$ 989.00	\$ 1,978.00
62	20210897	1	\$ 733.68	\$ 733.68
Overall Total		34,503		\$ 24,550,933.43

Excess of Laptops

School/Office	Count of Laptops Purchased in FY 21- FY 22	Laptops in Schools Prior to SEPT 2020	Total laptops purchased plus total in schools prior to SEPT 2020	Students	Excess over students
V S A BENAVENTE MIDDLE	1,499	577	2,076	1,087	989
OKKODO HIGH	1,586	866	2,452	1,622	830
SIMON A SANCHEZ HIGH	1,654	830	2,484	1,673	811
GEORGE WASHINGTON HIGH	1,705	574	2,279	1,522	757
JOHN F KENNEDY HIGH	1,775	735	2,510	1,770	740
TIYAN HIGH	1,215	582	1,797	1,109	688
ASTUMBO MIDDLE	640	592	1,232	555	677
WETTENGEL ELEMENTARY	1,044	228	1,272	625	647
JOSE LG RIOS MIDDLE	893	514	1,407	847	560
A I JOHNSTON MIDDLE	829	474	1,303	748	555
SOUTHERN HIGH	1,356	410	1,766	1,213	553
L P UNTALAN MIDDLE	937	572	1,509	988	521
J Q SAN MIGUEL ELEMENTARY	528	431	959	498	461
INARAJAN MIDDLE	558	417	975	524	451
FINEGAYAN ELEMENTARY	915	382	1,297	880	417
M A ULLOA	600	417	1,017	612	405
UPI ELEMENTARY	631	361	992	599	393
H B PRICE ELEMENTARY	598	462	1,060	685	375
OCEANVIEW MIDDLE	481	324	805	430	375
M. A. SABLAN ELEMENTARY	509	246	755	393	362
M U LUJAN ELEMENTARY	531	409	940	579	361
CHIEF BRODIE ELEMENTARY	411	212	623	266	357
D L PEREZ ELEMENTARY	688	373	1,061	734	327
J M GUERRERO ELEMENTARY	503	321	824	520	304
C L TAITANO ELEMENTARY	552	262	814	521	293
B P CARBULLIDO ELEMENTARY	511	181	692	407	285
MACHANANAO ELEMENTARY	493	225	718	441	277
H S TRUMAN ELEMENTARY	348	246	594	342	252
TALOFOFO ELEMENTARY	318	193	511	280	231
ORDOT/CHALAN PAGO ELEMENTARY	521	140	661	432	229
P C LUJAN ELEMENTARY	350	205	555	341	214
ASTUMBO ELEMENTARY	502	182	684	475	209
AGANA HEIGHTS ELEMENTARY	370	170	540	339	201
LIGUAN ELEMENTARY	478	115	593	405	188
INARAJAN ELEMENTARY	291	144	435	248	187
F B LEON GUERRERO MIDDLE	1,025	242	1,267	1,083	184
L B JOHNSON ELEMENTARY	256	191	447	263	184
MERIZO ELEMENTARY	286	148	434	260	174
ADACAO ELEMENTARY	540	103	643	509	134
TAMUNING ELEMENTARY	534	98	632	537	95
JP TORRES SUCCESS ACADEMY	70	131	201	135	66
Total Public Schools	29,531	14,285	43,816	27,497	16,319

Appendix 5:
Excess of Laptops

School/Office	Count of Laptops Purchased in FY 21- FY 22	Laptops in Schools Prior to SEPT 2020	Total laptops purchased plus total in schools prior to SEPT 2020	Students	Excess over students
ACADEMY OF OUR LADY OF GUAM	260	116	376		
BISHOP BAUMGARTNER	333	157	490		
CHAMORRO STUDIES	1	14	15		
CHILD NUTRITION & FOOD DIST.	2	20	22		
CURRICULUM & INSTRUCTIONAL	1,497	80	1,577		
DOMINICAN	79	107	186		
DOMINICAN CHILD DEVELOPMENT	27	30	57		
EDUCATION SUPPORT & COMM LEARN	12	14	26		
FACILITIES & MAINTENANCE	6	15	21		
FATHER DUENAS	300	150	450		
FEDERAL PROGRAMS	71	69	140		
FIN, STUDENT & ADMIN INFO SYST	129	275	404		
FINANCIAL AFFAIRS	7	30	37		
GUAHAN ACADEMY CHARTER SCHOOL	352	206	558		
GUAM ADVENTIST ACADEMY	88	15	103		
HEADSTART	7	14	21		
I LEARN ACADEMY CHARTER SCHOOL	60	31	91		
INFANT OF PRAGUE	28	31	59		
MERCY HEIGHTS	33	31	64		
NOTRE DAME	241	50	291		
OUR LADY OF MOUNT CARMEL	184	80	264		
RECEIVING PROPERTY MANAGEMENT	2	11	13		
RESEARCH, PLANNING AND EVAL	12	4	16		
SAINT ANTHONY	320	128	448		
SAINT FRANCIS	110	133	243		
SAINT JOHN	43	47	90		
SAINT PAUL	3	458	461		
SAN VICENTE	90	189	279		
SANTA BARBARA	216	169	385		
SIFA LEARNING ACADEMY CHARTER	185		185		
SPECIAL EDUCATION	257	100	357		
STUDENT SUPPORT SERVICES	1	20	21		
SUPERINTENDENT OF EDUCATION	3	9	12		
SUPPLY MANAGEMENT	11	14	25		
Total Other	4,970	2,817	7,787		



**DEPARTMENT OF EDUCATION
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Dr. K. Erik Swanson
Superintendent of Education

February 20, 2024

Benjamin J.F. Cruz
Public Auditor
Suite 401 DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Hafa Adai Public Auditor Cruz,

This letter serves as GDOE's official response to the Office of Public Accountability (OPA)'s Guam Department of Education (GDOE) Laptop Inventory Audit draft transmitted on January 31, 2024. On behalf of GDOE, I would like to thank you and your team for the collaborative effort in completing this audit engagement.

The OPA's audit covered Fiscal Years (FY) 2021 through 2022, during which time, GDOE purchased approximately 34,500 laptops to support the GDOE's need for distance learning due to the COVID-19 pandemic. The GDOE Division of Curriculum & Instruction (C&I) was responsible for the planning, initiating the procurement, and distributing majority of the laptops identified in the audit report. In response to the pandemic, GDOE implemented distance learning where teachers and students would attend classes through online platforms. The sudden and unexpected need to conduct classes online required GDOE to provide additional laptops to students, teachers, and support staff in need of the technology. GDOE utilized ESF I and ESF II funding as well as the Department's existing Consolidated Grants funding to purchase the necessary amount of laptops to ensure classes would continue with minimal disruption and reduce the impacts of learning loss. During this period of time, because of the high-risk designation and imposed specific conditions, GDOE relied on the Third-Party Fiduciary Agent to ensure compliance to federal regulations and adherence to GDOE's established procedures.

Procurement

GDOE concurs with the Public Auditors recommendations for procurement and internal controls. Specifically, GDOE acknowledges to ensure transparency, accountability, and integrity of the procurement process, GDOE will:

- Strictly adhere to all Invitation for Bid (IFB) provisions assuring that required agreement/contracts are executed;
- Strictly comply with the Indefinite Quantity Bid (IQB) review requirement to ensure the appropriate procurement method is used;
- Strictly comply with the completeness of procurement record and corresponding signed certification for all types of procurement;
- Refrain from overusing IQB without documented reasonable and data based determination of need thoroughly reviewed; and artificially dividing procurement to qualify for small purchase and comply with the required documentation.

Based on our exit conference discussion, GDOE will work with the OPA and the Office of the Attorney General (OAG) and defer to their guidance on procurements exceeding \$500K requiring the OAG's and Governor's approval, specifically for the application of Title 5 of the Guam Code Annotated §5120.

*GDOE Management's Response – Laptop
February 20, 2024
Page 2 of 3*

Internal Controls

Relative to OPA recommendations regarding internal controls, GDOE acknowledges and agrees to strengthening its internal control system and assures that every decision made was circumstantial and presented a great need during unprecedented times – the COVID-19 pandemic. As such, GDOE will:

- Strictly review distribution plans and monitor if delivery/acknowledgement process is conducted in accordance with the plan; and verify any deviations;
- Ensure determination of need, control and distribution of assets be thoroughly established with appropriate review and approval from responsible officials;
- Ensure periodic monitoring of movements of properties, perform surprise physical counts, and reconcile records;
- Ensure appropriate review of data input into the Munis system.

GDOE is already implementing actions to address planning, monitoring, reviewing and approving all inventory of laptops and overall asset management. The GDOE Property Management Office (PMO) conducts annual physical counts of all GDOE assets and makes appropriate updates to assets status in the Munis. Any movement of assets must be reported to the PMO with a Munis Adjustment form. The PMO will continue to remind schools and divisions that any changes to asset information (i.e. assigned end-user, location, condition) must be reported.

The PMO will continue to provide annual training to Property Liaisons on the required method for updating their school/divisions' inventory records. The PMO will conduct annual training for the Receiving Warehouse personnel regarding purchase orders and receiving document accuracy. The Inventory Management Office will thoroughly review information before posting assets in the Munis record.

Corrective Action Plan

GDOE has reviewed the OPA's recommendations to the noted deficiencies and generally concurs with the recommendations to improve the procurement process and internal controls within the Department. The GDOE has already made updates to its standard operating procedures for competitive sealed bidding and will work toward implementing OPA's recommendation for contract approvals and the 6-month review of indefinite quantity bids. The GDOE will also make reasonable efforts to ensure that the procurement records are complete and appropriate determinations are on file.

The specific condition requiring a Third Party Fiduciary Agent oversight of federal grants was removed as of November 1, 2023. GDOE leadership team and respective responsible divisions, to include Financial Affairs, Procurement, Property Management, and C&I, will work together to implement the recommendations made by the OPA. Additionally, the GDOE Internal Audit Office will work closely with OPA to ensure that audit recommendations are addressed timely and fully implemented. GDOE anticipates timeline to implement the corrective actions as continuous through the next 12 months.

Additional Views of GDOE

We appreciate the time and effort of the OPA in conducting this audit. We would like to provide additional clarifying points to a few of the observations noted in the report.

- GDOE End Users - Although the schools and divisions are the ultimate end users of procured supplies and services, for the purpose of procuring with federal grants, the Project Leads and Project Staff are responsible for initiating requisitions of supplies and services for their respective programs and determining and approving the procurement needs.
- Target Population - In determining the amount of laptops needed, the GDOE not only considered the GDOE student population, but also the needs of support staff and students from private, non-public

*GDOE Management's Response – Laptop
February 20, 2024
Page 3 of 3*

schools and charter schools. Additionally, as students returned to face-to-face instruction, GDOE aimed to have a class set of laptops for the classes that would benefit from it. GDOE asserts that every purchase was to ensure students, educators, and support staff were provided with the tools they needed to learn and work remotely during the pandemic shutdown. GDOE maintains that the procurement of these laptops was not excessive.

- Unopened and Undistributed Laptops - Laptops were also intended for distribution to school-site administrative personnel. GDOE reached out to the school personnel to avail of the laptops, however, not all personnel responded with interest. As such, Project Leads determined it would be allowable to issue laptops to other personnel such as teachers, teacher assistants, community program aides, and other staff that support school operations during distance learning, telework, or contact tracing. The large number of computers sitting in Central Office were to safeguard the assets.
- Small Purchases - Requisitions are entered based on end-user needs. Schools are allowed to procure equipment they need to align to their specific instructional platform. The POs for small purchases tested were issued on different dates, to different vendors, for different items, using different funding sources, for different end users.
- Grant Budget for Consolidated Grant - The requisition process has internal control mechanisms that will prevent purchases from exceeding the grant budget. End Users enter a requisition, which goes through the review and approval workflow that includes the 1) Project Office, 2) the funding source office, in this case, the Federal Programs Office and then to 3) the Budget Office – at this stage, the requisition will be certified for sufficient funding. If the funding is not sufficient it will be rejected in the workflow.
- Inconsistencies between the Munis record and PO - The one unit of Lenovo laptop yoga was an error amount on the Receiving Report that PMO received from the Receiving Warehouse. The discrepancy was corrected, and the Munis record has the correct purchase amount (PO 20210476). The overage of one unit of laptop recorded in Munis is due to one laptop that was found defective and was replaced by the vendor. The replaced laptop is still on record in Munis as a retired asset, and the laptop that replaced the defective unit is an added asset recorded in Munis (PO 20210890).

We appreciate the efforts of the OPA and the views expressed in the report. GDOE's management team is open to further discussions relative to enhancing procurement procedures and policies and strengthening internal controls.

Sincerely,

Dr. K. Erik Swanson
Superintendent of Education

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Action Required
Procurement				
To ensure transparency, accountability, and integrity of the procurement process, we recommend that the GDOE Superintendent, Deputy Superintendent of Finance and Administrative Services, Procurement Office management, and staff adhere to the following:				
1	GDOE Superintendent, Deputy Superintendent of Finance and Administrative Services, Procurement Office Management and Staff	For any type of procurement valued above \$500K OAG involvement in the entire procurement process must be strictly adhered to.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
2		Strictly adhere to all IFB-IQB requirements most importantly on agreement/contracts to ensure compliance with its terms and conditions.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
3		Amend SOP on Competitive Sealed Bidding for IFB and IQB to include procurement of office supplies and equipment valued above \$500K relative to contract execution for OAG and Governor’s approval.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
4		Strict compliance to the IQB review requirement to ensure appropriate procurement method is used.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
5		Strict compliance on the completeness of procurement record and corresponding signed certification for all types of procurement.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
6		Refrain from overusing IQB without documented reasonable and data based determination of need thoroughly reviewed.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
7		Refrain from artificially dividing procurement to qualify for small purchase and comply with the required documentation.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Action Required
Internal Controls				
Strengthen internal control system on purchases, distribution and physical control of properties and ensure efficient use of resources, by instituting the following measures:				
8	GDOE Superintendent, Deputy Superintendent of Finance and Administrative Services, Procurement Office Management and Staff	Strictly review distribution plans, monitor if the delivery/acknowledgement process is conducted in accordance with the plan and verify deviations.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
9		Determination of need, control and distribution of assets be thoroughly established with appropriate review and approval from responsible official.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
10		Periodic monitoring of movements of properties, perform surprise physical count/inspection, and reconcile records.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.
11		Review data inputs into the MUNIS System.	OPEN	Please provide the target date and title of official (s) responsible for implementing the recommendation. Submit a corrective action plan.

GUAM DEPARTMENT OF EDUCATION LAPTOP INVENTORY OPA Report No. 24-05, MARCH 2024

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

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MISSION STATEMENT

We independently conduct audits and administer procurement appeals to safeguard public trust and promote good governance for the people of Guam.

VISION

The Government of Guam is the standard of public trust and good governance.

CORE VALUES

Objective

To have an independent and impartial mind.

Professional

To adhere to ethical and professional standards.

Accountable

To be responsible and transparent in our actions.

REPORTING FRAUD, WASTE, AND ABUSE

- Call our HOTLINE at 47AUDIT (671.472.8348)
- Visit our website at www.opaguam.org
- Call our office at 671.475.0390
- Fax our office at 671.472.7951
- Or visit us at Suite 401 DNA Building in Hagåtña

All information will be held in strict confidence.



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