



Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
OFISINAN UMAGA LAHI
AGANA, GUAM 96910 U.S.A.

JAN 27 1992

LETTER TO
LEGISLATIVE COUNCIL

The Honorable Joe T. San Agustin
Speaker, Twenty-First Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 644, which I have signed into
law this date as Public Law No. 21-87.

Sincerely,

JOSEPH F. ADA
Governor

Attachment

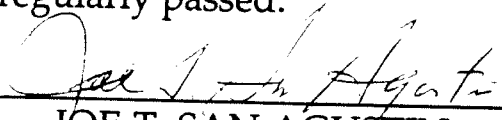
210609



TWENTY-FIRST GUAM LEGISLATURE
1992 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 644 (COR), "AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO PLAN THE IMPLEMENTATION OF THE RECOMMENDATIONS OF THE MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION COMMISSIONED BY THE NINETEENTH GUAM LEGISLATURE," was on the 10th day of January, 1992, duly and regularly passed.



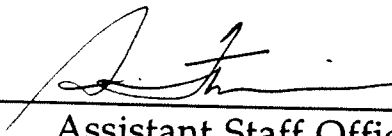
JOE T. SAN AGUSTIN
Speaker

Attested:



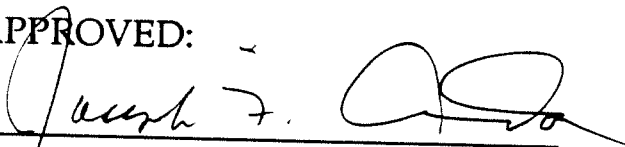
PILAR C. LUJAN
Senator and Legislative Secretary

This Act was received by the Governor this 15th day of January, 1992,
at 5:05 o'clock p.M.



Assistant Staff Officer
Governor's Office

APPROVED:



JOSEPH F. ADA
Governor of Guam

Date: JAN 27 1992

Public Law No. 21-87

TWENTY-FIRST GUAM LEGISLATURE
1992 (SECOND) Regular Session

Bill No. 644 (COR)

As substituted by the Committee
on Education and further substituted
by the Committee on Rules

Introduced by:

M. Z. Bordallo
C. T. C. Gutierrez
J. T. San Agustin
H. D. Dierking
E. P. Arriola
D. Parkinson
P. C. Lujan
G. Mailloux
J. P. Aguon
J. G. Bamba
A. C. Blaz
D. F. Brooks
E. R. Dueñas
E. M. Espaldon
M. D. A. Manibusan
M. J. Reidy
M. C. Ruth
F. R. Santos
D. L. G. Shimizu
T. V. C. Tanaka
A. R. Unpingco

AN ACT AUTHORIZING THE DEPARTMENT OF
EDUCATION TO PLAN THE IMPLEMENTATION OF
THE RECOMMENDATIONS OF THE MANAGEMENT
REVIEW OF THE DEPARTMENT OF EDUCATION
COMMISSIONED BY THE NINETEENTH GUAM
LEGISLATURE.

1 **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2 **Section 1. Legislative intent.** The Committee on Education of the
3 Nineteenth Guam Legislature commissioned an all-inclusive study of the
4 Department of Education (the "Department"), operationally and fiscally,
5 which study was completed in June of 1988, with recommendations submitted
6 in a report to the Committee dated June 3, 1988 (the "Study"). The Study
7 addressed areas in need of improvement throughout the Department and
8 suggested enhancements to the Department's general operations, creating
9 efficiency throughout.

10 **Section 2. Plan of implementation.** The Department shall forthwith
11 undertake a review and analysis of the Study, to determine and assess its
12 financial and operational impact of those provisions of the Study which have
13 not been implemented by the Department. The Department shall submit a
14 cost estimate for such implementation to the Speaker of the Legislature
15 within sixty (60) days of the enactment of this Act.

21-87

TWENTY-FIRST GUAM LEGISLATURE
1991 (FIRST) Regular Session

6

Date: 1/10/92

VOTING SHEET

Bill No. 644

Resolution No. _____

Question: _____

	AYE	NO	NOT VOTING	ABSENT/ OUT DURING ROLL CALL
AGUON, John P.	✓			
ARRIOLA, Elizabeth P.	✓			
BAMBA, J. George	✓			
BLAZ, Anthony C.	✓			
BORDALLO, Madeleine Z.	✓			
BROOKS, Doris F.	✓			
DIERKING, Herminia D.	✓			
DUENAS, Edward R.	✓			
ESPALDON, Ernesto M.	✓			
GUTIERREZ, Carl T.C.	✓			
LUJAN, Pilar C.	✓			
MAILLOUX, Gordon	✓			
MANIBUSAN, Marilyn D.A.	✓			
PARKINSON, Don	✓			
REIDY, Michael J.	✓			
RUTH, Martha C.	✓			
SAN AGUSTIN, Joe T.	✓			
SANTOS, Francisco R.	✓			
SHIMIZU, David L.G.	✓			
TANAKA, Thomas V.C.	✓			
UNPINGCO, Antonio R.		✓		

20

1



TWENTY-FIRST GUAM LEGISLATURE

155 Healer Street
Agana, Guam 96910
Tel: (671) 472-3581-3
Fax: (671) 472-3585

Senator
Madeleine Z. Bordallo

Chairperson
COMMITTEE ON
EDUCATION

MEMBER
COMMITTEE ON HEALTH,
ECOLOGY AND WELFARE

January 3, 1992

The Honorable Joe T. San Agustin
Speaker, Twenty-First Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Education, to which was referred Bill No. 644: "AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS OF 1988, FOUND IN THE "MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION" ORIGINALLY SUBMITTED IN A STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION OF THE 19TH GUAM LEGISLATURE.", does recommend that Bill No. 644 be passed by the Twenty-First Guam Legislature.

Votes of the Committee members are as follows:

To Pass	<u>7</u>
To Not Pass	<u>0</u>
Abstain	<u>4</u>
To Place in Inactive File	<u>0</u>
Off-Island	<u>2</u>
Not Available	<u>2</u>

Respectfully Submitted,

Madeleine Z. Bordallo
MADELEINE Z. BORDALLO

Enclosures

COMMITTEE ON EDUCATION

VOTING SHEET ON BILL NO. 644

"AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS OF 1988, FOUND IN THE "MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION" ORIGINALLY SUBMITTED IN A STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION OF THE 19TH GUAM LEGISLATURE."

<u>COMMITTEE MEMBER</u>	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>TO ABSTAIN</u>	<u>TO PLACE IN INACTIVE FILE</u>
<i>Madeleine Z. Bordallo</i> MADELEINE Z. BORDALLO Chairperson	✓			
<i>David L.G. Shimizu</i> DAVID L.G. SHIMIZU Vice Chairperson	✓			
<i>Joe T. San Agustin</i> Speaker Joe T. San Agustin (Ex-Officio Member)	✓			
<i>John P. Aguon</i> JOHN P. AGUON Member			<i>Also Need Financial Impact Statement</i>	
<i>Elizabeth P. Arriola</i> ELIZABETH P. ARRIOLA Member	✓			
<i>Herminia D. Dierking</i> HERMINIA D. DIERKING Member	✓			
CARL T.C. GUTIERREZ Member			<i>No Financial Impact Statement from BMR</i>	
DON PARKINSON Member				
<i>John G. Bamba</i> J. GEORGE BAMBA Member	✓		<i>subject to discussion/presentation</i>	

ANTHONY C. BLAZ
Member

DORIS F. BROOKS
Member

Edna D

EDWARD R. DUENAS
Member

MARILYN D.A. MANIBUSAN
Member

Marilyn D.A. Manibusan

MICHAEL J. REIDY
Member

Michael J. Reidy

THOMAS V.C. TANAKA
Member

✓

*subject to
handle comment
see table.*

*Will discuss on
floor*

*I would like to
see copy of agenda*

**COMMITTEE ON EDUCATION
21ST GUAM LEGISLATURE**

**CHAIRPERSON
SENATOR M. Z. BORDALLO**

**COMMITTEE REPORT
ON
BILL NO. 644**

**"AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION
TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS
OF 1988, FOUND IN THE "MANAGEMENT REVIEW OF THE
DEPARTMENT OF EDUCATION" ORIGINALLY SUBMITTED IN A
STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION
OF THE 19TH GUAM LEGISLATURE."**

A Public Hearing on Bill No. 644 was conducted by the Committee on Education, 21st Guam Legislature, on Tuesday, December 10, 1991, in the Public Hearing Room, Legislative Building, Agana.

MEMBERS PRESENT: Chairperson Madeleine Z. Bordallo; Vice-Chairman David Shimizu; and Committee member, Senator Michael Reidy.

WITNESSES PRESENT: Dr. Lawrence F. Kasperbauer, Chairman, Territorial Board of Education; and Dr. Franklin J. A. Quitugua, Acting Director, Department of Education.

SUMMARY OF TESTIMONY

Dr. Lawrence F. Kasperbauer, Chairman of the Guam Territorial Board of Education, appeared before the Committee and presented both oral and written testimony in support of Bill No. 644. Dr. Kasperbauer stated that the provisions in Bill No. 644 will result in the overall enhancement of the Department of Education's financial and management practices and most importantly in its operations. The Department of Education has initiated the process of improving the educational system by addressing the implementation of a new financial and administrative system and a new student information system.

Additionally, the Department had solicited the assistance of the Academy for Educational Development (AED) in assessing the

effective implementation of these two processes. The Department of Education feels that the Touche Ross & Co. recommendations in conjunction with the documentations from the Academy for Educational Development would assist in the overall improvement and efficiency of the management and operation of the entire public school system. A suggestion was made by Dr. Kasperbauer that the Department be granted flexibility within the legislative provision to determine which recommendations it should implement.

COMMITTEE FINDINGS/RECOMMENDATIONS

The Committee on Education finds that the Guam Territorial Board of Education and the Department of Education administrators agree that the Touche Ross & Co. study and recommendations on the management and operation of the Department of Education would enable the Department to enhance and increase the efficiency of its overall management and operation. A suggestion was made by Dr. Lawrence F. Kasperbauer, Chairman of the Guam Territorial Board of Education, that the Department of Education be granted the flexibility in implementing the recommendations that it would consider to be most beneficial to the public educational system on our island. This suggestion has thus been integrated in the substitute version of Bill No. 644. **THEREFORE, THE COMMITTEE ON EDUCATION RECOMMENDS THAT BILL NO. 644: "AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS OF 1988, FOUND IN THE 'MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION' ORIGINALLY SUBMITTED IN A STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION OF THE 19TH GUAM LEGISLATURE", AS SUBSTITUTED BY THE COMMITTEE ON EDUCATION, BE FAVORABLY CONSIDERED AND PASSED BY THE TWENTY-FIRST GUAM LEGISLATURE.**

ATTACHMENTS

1. Voting sheet on Bill No. 644, as substituted by the Committee on Education.
2. Bill No. 644, as substituted by the Committee on Education.
3. Bill No. 644, as introduced.
4. Copy of the letter/findings/recommendations of the Touche Ross & Co. on the management review of the Department of Education conducted in 1988.
5. Written testimony by Dr. Lawrence F. Kasperbauer, Chairman, Guam Territorial Board of Education.
6. Witness attendance sheet.

**TWENTY-FIRST GUAM LEGISLATURE
1991 (FIRST) REGULAR SESSION**

BILL NO. 644
(SUBST. BY COMM. ON EDUC.)

INTRODUCED BY:

M. Z. BORDALLO 

**"AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION
TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS
OF 1988 FOUND IN THE 'MANAGEMENT REVIEW OF THE
DEPARTMENT OF EDUCATION' ORIGINALLY SUBMITTED IN A
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2 **Section 1. Legislative Intent.**

3 The Committee on Education of the 19th Guam
4 Legislature commissioned an all inclusive study of the
5 Department of Education, operationally and fiscally. The
6 study was completed in June of 1988, with recommendations
7 submitted in a report to the Committee on June 3, 1988. The
8 study addressed areas in need of improvement throughout the
9 department and suggested enhancements to the department's
10 general operations, creating efficiency throughout.

11 **Section 2. Implementation of Touche Ross & Co.**
12 **Recommendations.**

13 The Department of Education is hereby authorized to

1 implement the Touche Ross & Co. recommendations of 1988,
2 commissioned by the Committee on Education of the 19th Guam
3 Legislature. If there should exist any recommendations within
4 the management study that the Department of Education would
5 consider to be detrimental to the effective management and
6 operation of the island's public school system, the Department
7 of Education must submit a written request and justification
8 to both the Governor and the Guam Legislature for the
9 exclusion of that particular recommendation from being
10 implemented. The recommendations may be found in the Touche
11 Ross & Co. study entitled the "Management Review of the
12 Department of Education". The Department of Education is to
13 begin the implementation of these recommendations no later
14 than 90 days from the passage of this provision.

15 **Section 3. Appropriation Measures.**

16 Immediately following the enactment of this
17 legislation, the Department of Education shall commence the
18 review and analysis of the Touche Ross & Co. study, whereupon
19 the financial and operational impact can be assessed. The
20 Department of Education shall submit a cost estimate for the
21 implementation of the recommendations in need of funding to
22 the Guam Legislature no later than 60 days following the
23 enactment of this legislation.

24 **Section 4. Reports.**

25 The Department of Education shall submit a progress
26 report on the implementation of the Touche Ross & Co.

27 recommendations to both the Governor of Guam and the Guam
28 Legislature no later than 180 days from the enactment of this
29 provision.

TWENTY-FIRST GUAM LEGISLATURE
1991 (FIRST) REGULAR SESSION

BILL NO. 644

INTRODUCED BY:

M. Z. BORDALLO



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"AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS OF 1988, FOUND IN THE "MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION" ORIGINALLY SUBMITTED IN A STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION OF THE 19TH GUAM LEGISLATURE."

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11 Section 2. Implementation of Touche Ross & Co.
12 Recommendations.

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14 implement the Touche Ross & Co. recommendations of 1988,
15 commissioned by the Committee on Education of the 19th Guam

1 Legislature. The recommendations may be found in the Touche
2 Ross & Co. study entitled the "Management Review of the
3 Department of Education". The Department of Education is to
4 begin the implementation of these recommendations no later
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10 the financial and operational impact can be assessed. The
11 Department of Education shall submit a cost estimate for the
12 implementation of the recommendations in need of funding to
13 the Guam Legislature no later than 60 days following the
14 enactment of this legislation.

15 **Section 4. Reports.**

16 The Department of Education shall submit a progress
17 report on the implementation of the Touche Ross & Co.
18 recommendations to both the Governor of Guam and the Guam
19 Legislature no later than 180 days from the enactment of this
20 provision.

June 3, 1988

Senator Marcia K. Hartsock
Chairperson, Committee on Education
Nineteenth Guam Legislature
334 Soledad Avenue
Agana, Guam 96910

Dear Senator Hartsock:

In September of last year, the Committee on Education contracted with Touche Ross for a management review of the Guam Department of Education. This letter represents our executive summary of the findings and recommendations of our detailed report, which is attached. The detailed report consists of an introductory section; a section for each of the financial, management and systems review portions of the project containing detailed descriptions of our findings and recommendations; and, a section containing appendices of various detailed relevant information.

Participation of the Department

During the course of the project, we spoke with over 60 individuals, most of them several times. Many of those individuals were personnel within the Department of Education. In addition, we requested substantial amounts of data from the Department, access to prior studies and assistance in interpretation of the data. In all cases, we received the support of the Director and the cooperation, to the best of their ability, of all individuals. We also received significant support from the Inspector General for the Department of Interior, the Department of Administration and the Bureau of Budget Management and Research.

The Department received copies of the "discussion draft" version of the report for their review, with the intent of disclosing any errors of fact. Two weeks were scheduled for their review, and only comments on Federal Programs have been received by Touche Ross. Comments received up to three weeks after circulation of the "discussion draft" have been incorporated in the report to the extent that Touche Ross agreed with the comments.

Purpose of the study

Based on our understanding of the decision to perform this study, the Committee on Education felt it was appropriate to engage an independent, external firm, with appropriate expertise, to review the

business management practices of the Guam Department of Education (DOE). The intent of the Committee was to gain, both for its own purposes of legislative guidance and for the Department's internal use, information on the current status of DOE's business practices and the opportunity for improvement of those practices. Thus, the results of this study were intended to benefit equally the Committee's legislative role and the Department's management role in providing an environment conducive to successful education of the children of Guam.

Standards applied

During the course of the project, the Touche Ross team utilized a series of standards for comparison of current Department practices against norms. These standards were adopted on the basis of development and publication by independent authorities, widely acknowledged and used by school managers throughout the United States. In all cases, we applied such standards on the basis of our understanding of the Guam Department of Education's environment and our professional judgement as to prudent and practical business practices.

Context of the results of the study

Parties interested in evaluating the results of the study in terms of the Department's current capabilities should consider that this study is the first of its kind in terms of the extent and breadth of investigation. Financial audits of the Government of Guam certainly include the Department as one part of the Government. However, the focus of such audits is on the reliance that can be placed on the financial statements of the Government, and the depth of review of a single department or agency, such as DOE, is relatively less than was performed as part of this project. Additionally, the focus of this project was not on financial statement reliance, but on effectiveness of overall business practices.

Other audits of the Department have been done periodically by the Inspector General's Office of the Department of Interior. The Inspector General also typically does not perform an overall Department review and instead concentrates on specific issues, particularly focusing on areas subject to the use of Federal funds. Currently, the Inspector General is studying the Department in three specific areas: food service, procurement and personnel. The results of the Inspector General's current Department review should be considered as complementary to the results of this project.

We believe that little value can be gained from viewing the results of this study as either positive or negative, given the context of limited prior reviews of the Department. Rather, the results of this study should be interpreted as a baseline and a departure point for future improvements.

Relative opportunity for improvement

As is true in all large and complex organizations such as Guam DOE, there are opportunities for improvement in business practices. Based

on our experience with other school districts and other Government of Guam departments and agencies, many of the shortcomings we have identified are not unique to the Department. When faced with limited funds, it is common for school administrators to cut costs associated with non-instructional areas of the organization, typically areas we reviewed as a part of this project. It is our opinion that the current state of Department's business practice capabilities is the result of long period of decisions to place relatively lower priority on business issues compared to instructional needs.

Relationship of DOE to GovGuam

The Department is a line department of the Government of Guam (GovGuam). As such, it receives the majority of its funding (over 90 percent) from the General Fund of GovGuam. It's budget is an integral part of the Executive's Budget request to the Legislature, and after approval is subject to the allotment process administered by the Bureau of Budget Management and Research (BBMR). The Department operates within the processes of other governmental entities within GovGuam, such as the General Services Administration procurement regulations, Civil Service rules and others.

DOE is specifically exempted from the Central Accounting Act, which otherwise provides that the Department of Administration (DOA) will provide accounting services to nonexempt departments and agencies. However, in the past, DOE management has not elected to provide its own accounting and financial reporting capability, and currently relies almost entirely on DOA for processing its accounting transactions and supplying financial information. DOA currently processes the Department's financial transactions on the "BACIS" accounting system, currently operating on the DOA mainframe computer near the GovGuam central administrative offices in downtown Agaña.

In addition, DOE acts as both the local educational agency (LEA) and the state educational agency (SEA) for the Territory. This is relatively unique in the United States, where in most cases these responsibilities are handled by separate organizations. In their role as the state educational agency, DOE is responsible for a number of activities, including certification of teachers, distribution of Federal Program funds and reporting of state level data to Federal agencies on a Territory wide basis. In this role, the Department provides services to private schools throughout the Territory.

Summary of findings

In summary, the findings of the study in the three major areas considered by the project are as follows:

o Financial review

There is an overall lack of sufficient, timely, and detailed financial management information. This is in major part due to the fact that the Department currently does not utilize the standard K-12 chart of accounts and does not adhere to standard K-12 financial reporting

requirements. The Department is limited in its ability to adopt the proper standards due to limitations in its current computer systems.

The lack of adherence to financial accounting and reporting standards limits effective management level visibility of financial condition on a month to month basis. Presentation of understandable and sufficient data for both internal and external uses is more difficult, and management does not have access to the computer system resources required to efficiently analyze financial trends, variances and exceptions. It is also more difficult to compare Guam to the national norms, because national data is all collected, organized and presented according to the nationally adopted standards.

The Department cannot report or analyze financial data by school program, such as food service, secondary language arts, primary basic reading or other educational or support program categories. Current computer systems are not able to summarize financial data by such categories.

The impacts of this finding are that it is difficult to identify how much specific educational or support programs are costing. Further, it is difficult to analyze funding based on its relation to the educational goals of the Department. These factors make it more difficult to effectively understand and manage financial resources, both internally and externally.

The results of our comparative analysis of the major categories of expenditure and revenue with national norms indicate that DOE total budgeted expenditures per pupil were close to the national average. We have provided highlights of this comparative data in Exhibit ES-1 on the following page. As part of our analysis, we compared DOE to 15 other school districts from around the nation, chosen jointly by Touche Ross and Department representatives on the basis of roughly equivalent size, financial dependence on local government funding and their rural nature. In this comparison, the lowest ranked district expended \$2,81 per pupil and the highest ranked expended \$4,703. Guam ranked 10th of the 15.

At a major category level, Guam budgets nearly the same percent of total budget for administration and instruction as the national averages. However, there are significant variances. Most schools expend significant additional funds, above those shown in the comparative figures provided in Exhibit ES-1, for capital outlay, debt retirement and interest on debt. These costs are associated with school building programs. In this comparison, Guam DOE is spending zero dollars compared to the national average of \$411 per pupil for these capital related costs. For a district of Guam's size, this per pupil expenditure rate equates to a total dollar expenditure of \$10.6 million annually.

Further, we analyzed individual categories of expenditure, comparing Guam's expenditures as a percent of the national average for that category. The results of this comparison are also shown in Exhibit ES-1. To the extent explanations of these variances are available, we have provided them in the detailed section of the report.

o Management review

There is a significant need for revision and enhancement of policies and procedures within the Department. Board policies are incomplete and many existing policies are outdated. Further, there should be a more clear separation of Board policy from management operating policies and procedures. DOE lacks a uniform and complete set of management operating policies and procedures, and current policies and procedures are not uniformly followed.

The impacts of this include a lack of consistent business management practices throughout the Department and increased legal exposure.

The current Department organization does not adequately support the business functions typically associated with the chief school business officer. Currently, these functions are distributed throughout several Department Divisions. In addition, the recommendations of this study will significantly increase the role and importance of the school business officer.

The current organizational structure leads to increased difficulty in maintaining effective management control over business practices. Additionally, the current organization is not likely to be able to support implementation of the most important recommendations of the study.

There are significant requirements for improvements in the areas of legal management, accounting for non-appropriated funds, fixed asset and property controls, and security over physical assets, personnel and students.

A broad range of management issues require improved policies, procedures, systems and organizational capabilities.

The Department has not sufficiently delineated its role as a state educational agency (SEA) from its role as a local educational agency (LEA). Currently, private schools have a negative perception of the Department's execution of its state role. Based on our review, we believe this to be primarily a communication problem between the private schools and the various entities within the Department providing private school services. In addition, the state level services are dispersed widely throughout the Department.

It is therefore difficult to effectively coordinate state level services to private schools on an overall DOE wide basis. The lack of effective communications contributes to strained relations between the Department and many private schools.

The Department does not adequately plan for and monitor maintenance of facilities. Current maintenance activities are primarily focused on response to immediate and specific needs and do not relate closely to an overall long term plan. Management does not have access to standard information analysis systems to identify specific projects, estimate costs and report actual against plan.

This leads to less effective maintenance over time than could be provided with enhanced planning. Management also cannot efficiently monitor the quality of its planning or its execution of maintenance activities.

o Systems review

Current computer systems capabilities of the department for financial administrative and student information do not meet K-12 school standards. For example, current financial systems do not meet financial reporting standards. Most of the standard functional areas such as personnel, accounts payable, purchasing and others typically found in standard systems are not supported by the current system. The current student information system is only being fully utilized at the high schools, and most other schools process student information manually. Current systems do little to assist business personnel or principals in the schools.

This means that Department management does not have access to information and administrative tools commonly employed by K-12 administrators. Significantly higher than normal amounts of processing occurs manually, and the timeliness, accuracy and usefulness of currently available data is reduced. Local school administrators perceive no benefits to supporting centralized systems.

Current Department computer systems are technologically outdated, current system operations are unsatisfactory and current systems are not supported by adequate policies and procedures. The current Department computer hardware is outdated and should be scrapped. There is duplication of effort in the operation of current student information system.

This limits the ability of current systems in terms of ease of use, ease of access to data and ability to generate useful management information. Excessive manual processing occurs, compared to other schools and data in the main student information systems is not reliable.

The current organization, staffing levels and capabilities of the Department's computer services function are not adequate to support the recommendations of the study. Currently, computer services is a part of Planning, Research and Evaluation and current staffing consists of one computer analyst, one data entry clerk, one operator and a part time secretary.

This significantly limits the ability of the Department to implement the recommendations.

Due to lack of sufficient central office systems capabilities, individual schools are acquiring microcomputer based systems. There is no current plan or central organization of this effort, and there are significant technical risks in this approach. Additionally, there are significant costs involved (approximately \$30,000 per system), which do not include the cost of linking the systems together.

EXHIBIT ES-1

TOTAL BUDGETED EXPENDITURES, PER PUPIL

<u>DOE</u> <u>FY88</u>	<u>ERS AVERAGES, ALL DISTRICTS</u>		<u>FY86</u>
	<u>FY88</u>	<u>FY87</u>	
\$3,399	\$3,985	\$3,701	\$3,456

PERCENTS OF BUDGET

<u>CATEGORY</u>	<u>DOE</u> <u>FY88</u>	<u>ERS AVERAGE, ALL</u> <u>DISTRICTS, FY87</u>
TOTAL EXPENDITURES	100.00%	100.00%
TOTAL ADMINISTRATION	11.35	10.61
TOTAL INSTRUCTION	68.59	63.66
TOTAL STUDENT ACTIVITIES	11.77	7.56
TOTAL OTHER	8.30	15.49

SELECTED DOE EXPENDITURE CATEGORIES
AS A PERCENT OF THE NATIONAL AVERAGE

<u>EXPENDITURE</u>	<u>PER PUPIL COST</u> <u>DOE</u> <u>FY88</u>	<u>ERS</u> <u>FY87</u>	<u>DOE EXPENDITURE</u> <u>AS A % OF</u> <u>ERS EXPENDITURE</u>
MAINTENANCE AND OPERATIONS	\$210	\$328	(64%)
FOOD SERVICE	96	19	505%
IMPROVEMENT AND DEVELOPMENT OF INSTRUCTION	185	45	411%
BOARD OF EDUCATION	3	23	(13%)
STUDENT ACTIVITIES	8	36	(22%)

The averages shown were provided by the Educational Research Service (ERS) and are reproduced with their permission.

The Department is risking serious difficulty in getting access to required centralized data, such as attendance information. This approach has not been thoroughly evaluated from a technical, function or cost perspective. Without apparent planning or sufficient control the Department is taking a direction not typically used by other districts of Guam's size.

Summary of recommendations

In summary, the recommendations of the study in the three major areas considered by the project are as follows:

o Financial review

Handwritten: The Department should adopt systems to record and report financial transactions in accordance with K-12 school standards. These systems should use the chart of accounts that is standard for K-12 schools, not the current GovGuam "general government" chart of accounts. The systems should support analysis and presentation of financial data on program basis. The Department should also continue to subscribe to the ERS budget comparison service, using the service as one additional source of comparison to guide the Executive and Legislative Branches in budget analysis.

Implementation of these recommendations will require new computer systems to support standard financial reporting and the support of the Executive and Legislative Branches for adopting a new DOE chart of accounts. New budget preparation, legislative presentation and budget analysis methodologies should be created to take advantage of new financial information capabilities. Key personnel in both the Department and the Legislature should be trained on the new financial data and reporting. Additionally, certain key positions within the DOE "business office" will require personnel experienced in such standard accounting and business management systems.

o Management Review

Handwritten: The Territorial Board of Education, with the assistance of management, should develop new and enhanced Board policies. Management should develop operational policies and procedures, adopt and apply them on a uniform basis, and provide staff training on them. The Department should establish and staff a new position of "Associate Superintendent for Administration" and organize logical and standard business functions within a new Business Administration Division. Areas such as legal management, maintenance management, non-appropriated funds, security, fixed asset and property management should be addressed with improved policies and procedures, systems and organizational capabilities. A position of "Administrator for Private School Activities" should be created to act as the central coordinator for private school services and as the focal point for communication with private schools.

Implementation of these recommendations will require concurrence of DO administration and the Legislature on the need for an "Associate Superintendent for Administration" and an "Administrator for Private School Activities." Staffing the position of "Associate Superintendent for Administration" with an individual with deep experience in school business administration will be important for successful implementation. Resources must be dedicated to develop and implement new policies and procedures and train staff on their application. New computer systems, policies and procedures will be required to address areas such as maintenance management, fixed asset and property management.

o Systems review

The Department should develop a plan for acquisition and implementation of standard K-12 financial, administrative and student information systems. In our opinion, this will require separating from the current Department of Administration "BACIS" accounting system, and acquiring significant new computer hardware and software. The DOE Computer Task Force should be re-established and directed to prepare an overall systems plan reflecting the recommendations. New policies and procedures regarding data submission should be developed and adopted on a district wide basis, with appropriate staff training. A Management Information Systems group should be established with enhanced staff capabilities, reporting to the new "Associate Superintendent for Administration." Current individual school purchases of separate systems should be completely stopped and current Department computer hardware and software should be replaced with systems of standard capabilities.

Implementation of these recommendations will require the support of key involved executive agencies and the Legislature for significant enhancement of DOE's internal data processing capability. Based on our professional experience and limited vendor contacts, we estimate approximately \$2 million will be required for acquisition of new financial, administrative and student information systems. The new Management Information Systems group will require a manager and approximately five new staff positions. The systems acquired must support individual schools with decentralized access to centralized data.

Implementation considerations

Implementation of these recommendations will require years of consistent direction and effort. In our opinion, successful implementation is most dependent on placing an overall high priority business management within the Department, adequate funding for the recommendations, and the capabilities of the new "Associate Superintendent for Administration." While consideration of all the recommendations together may seem overwhelming, significant progress can be made by taking one area at a time and applying consistent effort over time.

There are a number of recommendations which are relatively easier to accomplish and are essentially independent of each other. With sufficient commitment of resources, these recommendations could be implemented within one year. However, despite their importance, implementation of these recommendations will not have a major impact recommendations include:

- o Update and complete Board policies
- o Update and complete operating policies and procedures
- o Continue the ERS budget comparison service
- o Address the legal management, non-appropriated funds, and security issues
- o Establish the Administrator for Private School Activities
- o Reestablish the Computer Task Force
- o Prepare a complete systems plan for new financial, administrative and student information systems
- o Stop individual school purchases of computer systems.

The remaining recommendations are relatively difficult to accomplish and are all dependent on the acquisition and implementation of new computer systems. With sufficient resources, these recommendations could be implemented over a one to five year period. However, implementation of these recommendations will have the potential to greatly improve the business management capabilities of the Department. These recommendations include:

- o Establish the Management Information System group
- o Establish the Associate Superintendent for Administration, and reorganize the business office
- o Acquire and implement new financial, administrative and student information systems
- o Change to K-12 standard chart of accounts
- o Implement standard K-12 financial reporting
- o Implement financial reporting and analysis by school program
- o Address maintenance management, fixed asset and property management
- o Replace current Departmental computer hardware and software

Future Department to Legislature communication

Currently, the Department does not have the capability to efficiently and effectively improve the financial communication process with the Legislature, with the exception of the ERS budget comparison service. We recommend that the Department continue to subscribe to the ERS service, and report the results of the Budget Comparison to the Committee on Education and the Committee on Ways and Means. A copy should also be provided to the Bureau of Budget Management and Research (BBMR). We urge the Legislature and BBMR to only use the report as an element of guidance in budget evaluation.

Once the systems, accounting standards and personnel are in place to provide enhanced financial and operating information, we would recommend the following be included in communication from the Department to both the Committee on Education and the Committee on Ways and Means:

- o Continuation of the ERS budget comparison process and submission of the reports
- o Monthly submission of complete financial statements, consistent with the K-12 standard
- o Annual submission of budget requests, as part of the Executive's budget request, using traditional object/class categories for appropriation purposes
- o Annual submission of budget documents for informational and analysis purposes, based on school programs, and tied in a executive summary to educational programs and goals

Control in the recommended financial environment

We are aware that there will be concern in both the Legislature and Executive branches regarding control of the Department's expenditures in an environment where the Department operates its own accounting and computer systems. The Legislature has the primary financial policy role of approving a budget and setting appropriations. DOA and BBMR, on the Executive's behalf, have the role of seeing that the Department does not "over expend" and that basic financial controls are in place. DOA also manages financial resource of the government across all agencies, such as in centralized cash management.

In our opinion, if the Department has the appropriate internal resources in place, it is not necessary for DOA to have a direct operations role in executing the Department's financial transactions to maintain fiscal control. In the recommended financial control environment, the Department would operate its own separate accounting and computer systems. The Department would present budget requests in both the traditional object/class categories, and in addition, in school program categories. The Legislature would continue to appropriate on a traditional object/class basis, and use the school program information only for budget analysis purposes. DOA and BBMR

would then use those appropriations to set (allot) budgets for the Department. The Department would provide detailed monthly financial reports, showing actual to budget comparisons on the object/class financial statements as necessary, and could ask for what ever additional detailed reporting DOA felt was necessary. Further, DOA would establish "due to" and "due from" inter-system accounts between the DOA accounting system and the Department of Education accounting systems. Using these accounts, DOA could release funds to DOE and control the size and timing of those releases, so as to maintain overall governmental control of cash.

We are aware that changes such as those described above will require additional effort on the part of all affected parties to understand and adapt to a new methodology for financial control. However, we believe that the benefits of substantially increased value in the quality of the financial information available to both internal and external parties greatly outweighs the difficulties involved.

Summary

The Department of Education, were it a private business, would be one of the largest companies on Guam. Its current Territorial and Federal revenues are approximately \$90 million, and over the past four years, have grown at an average rate of ten percent. Assuming the same rate of growth over the next five years, the total budget for DOE in 1993 will be \$148.2 million, and the cumulative expenditures of the Department over the five years will be \$617.9 million. The Department employs 3,261 employees, teaches 25,803 students and operates 35 schools or other decentralized locations in addition to the Central Office.

In a private business of this size, maintaining efficient and effective operations requires state-of-the-art financial and management practices. To ensure the ongoing success of the company, management continuously makes decisions to invest resources to maintain prudent business practices. Private business owners and investors, and competitive pressures, demand that the company's capabilities be well maintained.

As a public enterprise, DOE responds to different pressures and constraints, with relatively less emphasis on maintaining management capability, especially in times of limited financial resources. Consequently, the commitment of resources to maintaining management capabilities is often not an equivalent priority compared to maintaining delivery of educational services. Over time, the cumulative effect of a lower priority placed on the maintenance of management capabilities contributes to an overall deterioration of administrative control.

In our opinion, the Department's current situation results from this type of scenario, where relative priorities over a long term period have contributed to the need for improvement in business management capabilities. Therefore, management does not have adequate financial statements, is using an inappropriate accounting chart of accounts and

cannot analyze its costs on a school program basis. The Board and management need to significantly improve the Department's policies and procedures. In many areas, there is evidence that business practices are not well controlled, and that management generally lacks the business tools necessary to gain control. The Department is significantly less computerized than other school districts in the mainland. Current systems are inadequate, both technically and functionally. Finally, there are no current, written, published plans of management that address any of these areas.

Studies such as this one tend to produce results that may be viewed solely as critical of the enterprise under review. While the nature and extent of the findings and recommendations may seem overwhelming and pervasive, it took many years to reach this current condition, and implementing the study recommendations will require a similar time period.

We believe the opportunity exists to successfully address the areas described in the study. The success of this effort is dependent on a long term and consistent view of the need for improvement on the part of the Legislature, the Executive Branch and Department management, all of whom have indicated a genuine concern for the situation and support for the Department's requirements. Hopefully, this report will assist in reinforcing the need for continuing and consistent support among key parties, and thereby contribute to an improved educational environment for the Territory of Guam.

We appreciate having had this opportunity to assist the Committee on Education.

Very truly yours,

Touche Ross + Co.



TERRITORY OF GUAM
 TERRITORIAL BOARD OF EDUCATION
 P.O. BOX DE
 AGANA, GUAM 96910



December 10, 1991

Lawrence Kasperbauer, Ph.D.
 Chairman

Jose Leon Guerrero, Ph.D.
 Vice Chairman

Senator Madeleine Z. Bordallo
 Chairperson, Committee on Education
 21st Guam Legislature
 155 Hesler St.
 Agana, Guam 96910

The Department of Education is in favor of Bill 644 which ultimately will result in state-of-the-art financial and management practices and most important, in the governance of its affairs.

MEMBERS

Dolores Barcinas
 Peter Aleckis Ada
 Ignacio Tainatongo
 Bernie Taitague
 Ester Yanza

The Department has already made major strides in carrying out two of the most important recommendations around which most of the other recommendations revolve. Those are: 1) The Department must plan for, acquire and implement new financial and administrative systems, and 2) The Department must plan for, acquire and implement new student information systems.

EX-OFFICIO MEMBERS

Mary Gutierrez
 (GPTO)
 CPT John Hennigan
 (USAF)
 Frederic Leon Guerrero
 (NON-PUBLIC SCHOOLS)
 Beth McClure
 (GFT)
 Barbara Askey
 (USN)
 Jose Rivera
 (Mayors' Council)

The Academy for Educational Development (AED) was contracted to assist the Department in the development of a plan which addresses the two areas. We now have a detailed plan that spells out how improvements can be made in almost every aspect of management and operations. The AED plan must be viewed in concert with the Touche Ross & Co. Indeed, both documents will serve as valuable resources in our quest for upgrading delivery of services to the schools.

We strongly suggest that flexibility be given to the Department to determine which recommendations to implement.

Thank you for your continued support in assisting the Department in upgrading support services to the schools.

Sincerely,


 LAWRENCE F. KASPERBAUER, Ph.D.
 Chairman

cc Committee Members

JAN 06 '92

TWENTY-FIRST GUAM LEGISLATURE
1991 (FIRST) REGULAR SESSION

BILL NO. 644(COR)

INTRODUCED BY:

M. Z. BORDALLO



"AN ACT AUTHORIZING THE DEPARTMENT OF EDUCATION TO IMPLEMENT THE TOUCHE ROSS & CO. RECOMMENDATIONS OF 1988, FOUND IN THE "MANAGEMENT REVIEW OF THE DEPARTMENT OF EDUCATION" ORIGINALLY SUBMITTED IN A STUDY COMMISSIONED BY THE COMMITTEE ON EDUCATION OF THE 19TH GUAM LEGISLATURE."

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 Section 1. Legislative Intent.

3 The Committee on Education of the 19th Guam
4 Legislature commissioned an all inclusive study of the
5 Department of Education, operationally and fiscally. The
6 study was completed in June of 1988, with recommendations
7 submitted in a report to the Committee on June 3, 1988. The
8 study addressed areas in need of improvement throughout the
9 department and suggested enhancements to the department's
10 general operations, creating efficiency throughout.

11 Section 2. Implementation of Touche Ross & Co.
12 Recommendations.

13 The Department of Education is hereby authorized to
14 implement the Touche Ross & Co. recommendations of 1988,
15 commissioned by the Committee on Education of the 19th Guam

1 Legislature. The recommendations may be found in the Touche
2 Ross & Co. study entitled the "Management Review of the
3 Department of Education". The Department of Education is to
4 begin the implementation of these recommendations no later
5 than 90 days from the passage of this provision.

6 **Section 3. Appropriation Measures.**

7 Immediately following the enactment of this
8 legislation, the Department of Education shall commence the
9 review and analysis of the Touche Ross & Co. study, whereupon
10 the financial and operational impact can be assessed. The
11 Department of Education shall submit a cost estimate for the
12 implementation of the recommendations in need of funding to
13 the Guam Legislature no later than 60 days following the
14 enactment of this legislation.

15 **Section 4. Reports.**

16 The Department of Education shall submit a progress
17 report on the implementation of the Touche Ross & Co.
18 recommendations to both the Governor of Guam and the Guam
19 Legislature no later than 180 days from the enactment of this
20 provision.