Outlook

Re: Messages & Communications Doc. No. 38GL-26-2808 through 2813.

From Guam Legislature Clerks <clerks@guamlegislature.gov>
Date Tue 9/1/2026 11:30 AM
To 38th Committee On Rules <committeeonrules@guamlegislature.gov>

Håfa Adai,

Received, and thank you.

Elijah Untalan
Clerks Office
I Mina'trentai Ocho na Liheslaturan Guåhan
Guam Congress Building, 163 Chalan Santo Papa, *Hagåtña*, Guam 96910
Voice: (671) 472-3465/3460 Fax: (671) 472-3524
guamlegislature.gov

From: 38th Committee On Rules <committeeonrules@guamlegislature.gov>
Sent: Tuesday, September 1, 2026 11:19 AM
To: Guam Legislature Clerks <clerks@guamlegislature.gov>
Cc: Frank Blas Jr. <speakerblas@guamlegislature.gov>
Subject: Messages & Communications Doc. No. 38GL-26-2808 through 2813.

Håfa Adai Clerks Office,

Please see attached, **Messages & Communications Doc. No. 38GL-26-2808 through 2813** for processing:

√	**38GL-26-2808**	Department of Land Management	FY2026 Monthly Revenue Collection Report for July 2026*
√	**38GL-26-2809**	Guam Board of Accountancy	Board Meeting Packet for August 20, 2026.
√	**38GL-26-2810**	Guam Board of Accountancy	FY2026 Financial Statement for the month of July 2026.
√	**38GL-26-2811**	Guam Election Commission	FY2026 2nd and 3rd Quarter Staffing Pattern*
√	**38GL-26-2812**	Department of Education	Guam Education Board Regular Board Meeting Packet for August 24, 2026*
√	**38GL-26-2813**	Office of Public Accountability - Guam	OPA Report No. 26-09 August 2026, Guam Department of Education Procurement of Air Conditioning Units Investigative Audit for October 1, 2019 to March 31, 2026*

Kindly reply to this email.

Si Yu'os ma'åse',
Marie Crisostomo
Committee on Rules Assistant
COMMITTEE ON RULES
Vice Speaker V. Anthony Ada, Chairperson
I Mina'trentai Ocho Na Liheslaturan Guåhan
38th Guam Legislature

Messages and Communications 38GL-26-2813*

2 messages

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov> Mon, Aug 31, 2026 at 1:39 PM
To: 38th Committee On Rules <committeeonrules@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>

Håfa adai,

Please see attached M&C Doc. No. 38GL-26-2813

38GL-26-2813	Office of Public Accountability- Guam	OPA Report No. 26-09 August 2026, Guam Department of Education Procurement of Air Conditioning Units Investigative Audit for October 1, 2019 to March 31, 2026*

Si Yu'os Ma'åse'

Bernice Rivera

Administrative Assistant

Office of Speaker Frank F. Blas, Jr.

I Mina'trentai Ocho na Liheslaturan Guåhan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969-6456
speakerblas@guamlegislature.gov

---------- Forwarded message ---------
From: **Office of Public Accountability - Guam** <admin@guamopa.com>
Date: Sun, Aug 30, 2026 at 12:00 PM
Subject: Transmittal: OPA Report No. 26-09, Guam Department of Education Procurement of Air Conditioning Units
To: Governor of Guam <governor@guam.gov>, Lt. Governor of Guam <joshua.tenorio@guam.gov>, Chris Barnett <malafunkshun@guamlegislature.gov>, Senator Telo T. Taitague <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, Senator Sabina F. Perez <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Terlaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, Joe S. San Agustin <senatorjoessanagustin@gmail.com>, V. Anthony Ada <vicespeakertonyada@guamlegislature.gov>, Office of Senator Frank Blas, Jr. <speakerblas@guamlegislature.gov>, Attorney General Douglas Moylan <dbmoylan@oagguam.org>, Danielle Rosete <drosete@guamcourts.gov>, Edward M. Birn <edward.birn@doa.guam.gov>, Dr. Judith T. Won Pat (Superintendent) <jtwonpat@gdoe.net>, <judithguthertz@gmail.com>, Lester Carlson <lester.carlson@bbmr.guam.gov>
Cc: Benjamin Cruz <bjcruz@guamopa.com>, Vincent Duenas <vduenas@guamopa.com>, <fjtcooper-nurse@gdoe.net>

Håfa Adai,

The Office of Public Accountability, in collaboration with the Guam Department of Education Internal Audit Office, has released OPA Report No. 26-09, Guam Department of Education Procurement of Air Conditioning Units. You may visit our website at www.opaguam.org to download the report.

Si Yu'os Ma'åse'!

3 attachments

opa 26-09 executive summary.pdf
75K

opa 26-09 full report.pdf
10121K

38GL-26-2813.pdf
1080K

38th Committee On Rules <committeeonrules@guamlegislature.gov> Mon, Aug 31, 2026 at 2:57 PM
To: "Speaker Frank Blas Jr." <speakerblas@guamlegislature.gov>

Håfa Adai,

Received, and thank you.

Si Yu'os ma'åse',

Marie Crisostomo

Committee on Rules Assistant

COMMITTEE ON RULES

Vice Speaker V. Anthony Ada, Chairperson

I Mina'trentai Ocho Na Liheslaturan Guåhan

38th Guam Legislature

[Quoted text hidden]

THE GUAM LEGISLATURE

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov>

Transmittal: OPA Report No. 26-09, Guam Department of Education Procurement of Air Conditioning Units

2 messages

Office of Public Accountability - Guam <admin@guamopa.com> Sun, Aug 30, 2026 at 12:00 PM
To: Governor of Guam <governor@guam.gov>, "Lt. Governor of Guam" <joshua.tenorio@guam.gov>, Chris Barnett <malafunkshun@guamlegislature.gov>, "Senator Telo T. Taitague" <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, "Senator Sabina F. Perez" <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Terlaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, "Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, "V. Anthony Ada" <vicespeakertonyada@guamlegislature.gov>, "Office of Senator Frank Blas, Jr." <speakerblas@guamlegislature.gov>, Attorney General Douglas Moylan <dbmoylan@oagguam.org>, Danielle Rosete <drosete@guamcourts.gov>, "Edward M. Birn" <edward.birn@doa.guam.gov>, "Dr. Judith T. Won Pat (Superintendent)" <jtwonpat@gdoe.net>, judithguthertz@gmail.com, Lester Carlson <lester.carlson@bbmr.guam.gov>
Cc: Benjamin Cruz <bjcruz@guamopa.com>, Vincent Duenas <vduenas@guamopa.com>, fjtcooper-nurse@gdoe.net

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The Office of Public Accountability, in collaboration with the Guam Department of Education Internal Audit Office, has released OPA Report No. 26-09, Guam Department of Education Procurement of Air Conditioning Units. You may visit our website at www.opaguam.org to download the report.

Si Yu'os Ma'åse'!

2 attachments

opa 26-09 executive summary.pdf
75K

opa 26-09 full report.pdf
10121K

Doc Type: 38GL-26-2813
OFFICE OF THE SPEAKER
FRANK F. BLAS, JR.
August 30, 2026
Time: 12:00 PM
Received:

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov> Mon, Aug 31, 2026 at 9:10 AM
To: Office of Public Accountability - Guam <admin@guamopa.com>
Cc: Governor of Guam <governor@guam.gov>, "Lt. Governor of Guam" <joshua.tenorio@guam.gov>, Chris Barnett <malafunkshun@guamlegislature.gov>, "Senator Telo T. Taitague" <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, "Senator Sabina F. Perez" <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Terlaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, "Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, "V. Anthony Ada" <vicespeakertonyada@guamlegislature.gov>, Attorney General Douglas Moylan <dbmoylan@oagguam.org>, Danielle Rosete <drosete@guamcourts.gov>, "Edward M. Birn" <edward.birn@doa.guam.gov>, "Dr. Judith T. Won Pat (Superintendent)" <jtwonpat@gdoe.net>, judithguthertz@gmail.com, Lester Carlson <lester.carlson@bbmr.guam.gov>, Benjamin Cruz <bjcruz@guamopa.com>, Vincent Duenas <vduenas@guamopa.com>, fjtcooper-nurse@gdoe.net

Håfa Adai,

Confirming receipt of your email.

Si Yu'os Ma'åse'

Bernice Rivera

Administrative Assistant

Office of Speaker Frank F. Blas, Jr.

I Mina'trentai Ocho na Liheslaturan Guåhan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969 6456
speakerblas@guamlegislature.gov

[Quoted te t hidden]

38GL-26-2813
Messages and Communications
RECEIVED
COMMITTEE ON RULES
August 31, 2026
1:39 p.m.
Marie Crisostomo

Executive Summary
Guam Department of Education
Procurement of Air Conditioning Units
OPA Report No. 26-09, August 2026

WHY WE DID THIS AUDIT

The GDOE FFY 2025 Specific Conditions require the OPA and the IAO to conduct periodic audits to ensure oversight and accountability of GDOE management of U.S. Department of Education funds. In line with the Specific Conditions, the OPA and the IAO engaged in a collaborative investigative audit of GDOE's procurement of ARP-funded AC units and installation services.

The investigative audit was initiated in response to concerns regarding hundreds of federally funded AC units purchased under IFB 009-2023 that remained uninstalled and stored at GDOE's Piti Warehouse.

RECOMMENDATIONS

Key recommendations are for GDOE to:

- Develop and implement a corrective action plan to install and place into service the remaining 286 packaged tonnage units.

The Office of Public Accountability (OPA), in collaboration with the Guam Department of Education (GDOE)'s Internal Audit Office (IAO), conducted an investigative audit of the GDOE's procurement and contract administration related to Invitation for Bid (IFB) 009-2023 for the outright purchase, installation, and preventive maintenance of air conditioning (AC) units.

The audit assessed whether GDOE's procurement of American Rescue Plan (ARP)-funded AC units was conducted in accordance with applicable laws, regulations, policies and grant requirements, and whether the procurement achieved the intended programmatic objectives of the ARP by improving air quality and supporting safe in-person learning through the replacement and installation of air conditioning systems across Guam's public schools.

The audit identified significant deficiencies in contract administration, procurement oversight, project management, and payment controls related to IFB 009-2023.

$2.7 Million in ARP-Funded AC Units Not Timely Placed into Service

GDOE did not ensure that 286 packaged tonnage AC units procured under IFB 009-2023 were installed and placed into service during the ARP period of performance. Although installation was a required component of the contract, the units remain uninstalled and stored at GDOE's Piti Warehouse. As a result, approximately $2.7 million in federally funded equipment did not provide its intended programmatic benefit during the grant period, resulting in questioned cost. GDOE is not in compliance with federal regulations governing the use of federally acquired equipment.

An Estimated $9.5 Million in Additional Cost to Local Funds

IFB 009-2023 was awarded for the purchase, installation, and preventive maintenance of AC units. However, GDOE did not effectively enforce the contractor's installation obligations after disputes arose regarding additional work required to place 286 packaged tonnage units into service. The contractor subsequently submitted a quotation totaling approximately $9.5 million for additional installation-related work. Because responsibility for completing installation remains unresolved and ARP funding has expired, Government of Guam local financial resources face potential future costs to place the units into operation.

- Obtain legal guidance regarding the contractor's obligations under the executed agreements and evaluate whether contractual remedies remain available to require completion of installation services.
- Strengthen procurement planning, contract administration, and project oversight processes to ensure future contracts clearly define responsibilities, enforce contractor performance requirements, and achieve intended program outcomes.
- Ensure all changes affecting contract scope, quantities, deliverables, pricing, or performance are executed through formal written contract amendments or change orders in accordance with the terms of contractual agreements and GDOE policy.
- Strengthen contract administration and payment approval controls to ensure satisfactory performance and resolution of performance deficiencies before payments are finalized and that applicable contract provisions are enforced.

Improper Modification of Firm Fixed-Price Contracts Resulted in Approximately $1.0 Million in Questioned Costs

GDOE increased contract compensation through internal purchase order modifications rather than utilizing contract amendments and change orders required by the executed agreements and GDOE policy. These actions reduced transparency and accountability over approximately $1.0 million in contract adjustments and undermined the cost-control protections established in firm fixed-price contracts.

$1.3 Million in Unauthorized Procurement Activities and Unrecorded Liabilities

GDOE incurred $1.3 million in obligations for AC installation services, materials, and related costs that were not supported by documented procurement authority and were not recorded as liabilities in the Department's financial records, weakening accountability over public funds. As of the date of this report, these liabilities remain unresolved and unrecorded, contrary to applicable governmental accounting standards.

GDOE Approved Contractor Payments Despite Documented Installation Deficiencies Resulting in $154 Thousand in Questioned Costs

Quality-control inspections performed by GPA engineering personnel identified numerous installation deficiencies requiring corrective action and included recommendations that a portion of contractor payments be withheld until deficiencies were resolved. Despite these findings, GDOE continued approving contractor payments without documented evidence that identified deficiencies had been corrected and accepted, reducing assurance that public funds were expended only for satisfactory, contract-compliant work.

Improper Asset Tracking

GDOE has not established fixed-asset records or affixed asset tags to the 286 uninstalled units that remain in storage. This limits GDOE's ability to safeguard and accurately track equipment and demonstrates weaknesses in internal controls over asset management.

Conclusion

These findings demonstrate a failure to fully administer and enforce the requirements of IFB 009-2023. While millions of federal dollars were available and expended to improve air conditioning systems throughout Guam's public schools, significant portions of the contracted work remain unresolved, including the installation of 286 packaged tonnage units. Collectively, the audit identified $3,845,760 in questioned costs and approximately $10.8 million in additional financial impacts associated with these deficiencies.

The audit further identified instances in which contract costs were improperly modified and additional services were authorized and accepted outside the scope of the executed agreements, absent funding authorization. These actions weakened accountability over the administration of public funds and increased the risk that obligations were incurred without appropriate contractual authority. As a result, GDOE may be exposed to legal liability, financial loss, and administrative and statutory violations.

Prompt corrective action is necessary to determine responsibility for completing installation, protect public resources, and ensure that taxpayer-funded investments achieve their intended benefit.

Benjamin J.F. Cruz	Franklin J.T. Cooper-Nurse
Public Auditor	Chief Auditor

GUAM DEPARTMENT OF EDUCATION PROCUREMENT OF AIR CONDITIONING UNITS

Investigative Audit
October 1, 2019 to March 31, 2026

OPA Report No. 26-09
August 2026

Guam Department of Education
Procurement of Air Conditioning Units

Investigative Audit
October 1, 2019 to March 31, 2026

OPA Report No. 26-09
August 2026

Distribution via E-Mail:

Governor of Guam
Lieutenant Governor of Guam
Speaker, 38th Guam Legislature
Senators, 38th Guam Legislature
Superintendent, Guam Department of Education
Chairperson, Guam Education Board, Guam Department of Education
Attorney General, Office of the Attorney General
Controller, Superior Court of Guam
Director, Department of Administration
Director, Bureau of Budget and Management Research
Guam Media

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OPA Report No. 26-09, August 2026

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Prompt corrective action is necessary to determine responsibility for completing installation, protect public resources, and ensure that taxpayer-funded investments achieve their intended benefit.

Benjamin J.F. Cruz
Public Auditor

Franklin J.T. Cooper-Nurse
Chief Auditor

Introduction

The Guam Department of Education's (GDOE) Federal Fiscal Year (FFY) 2025 Specific Conditions require the Guam Office of Public Accountability (OPA) and the Internal Audit Office (IAO) to conduct periodic audits to ensure oversight and accountability of GDOE management of U.S. Department of Education funds. In line with the Specific Conditions, the OPA and the IAO engaged in a collaborative investigative audit of GDOE's procurement of air conditioning (AC) units related to Invitation for Bid (IFB) 009-2023 for the outright purchase, installation and preventive maintenance of air conditioning units. This audit was initiated in response to observations made by the OPA and reported citizens' concerns of the large number of AC units that remain uninstalled and stored at the GDOE Piti Warehouse.

The objectives of this investigative audit were to determine whether the procurement of AC units were:

1. In accordance with applicable laws, regulations, board policies, standard operating procedures, and federal grant agreements; and
2. Achieved the intended federal programmatic objectives of the American Rescue Plan by improving air quality and supporting safe in-person learning through the installation and use of air conditioning systems in Guam's public schools.

The scope of this engagement covered the period from the initiation of the procurement of the AC units to March 2026. Refer to Appendix 1 for the Objective, Scope, and Methodology.

Background

In April 2021, the U.S. Department of Education (USEd) awarded GDOE $286.9 million in American Rescue Plan (ARP) grant funds to support the safe reopening of schools, sustain in-person instruction, and address students' academic and social-emotional needs arising from the COVID-19 pandemic. Consistent with the allowable uses of ARP funds, GDOE designated a portion of its award to replace and repair AC systems in all GDOE-owned schools to provide safe, clean air and adequate ventilation, while promoting a conducive and comfortable learning environment.

To accomplish this grant objective, GDOE determined the need to procure contractual services from qualified AC companies for the replacement and preventive maintenance of AC units throughout all 35 non-lease GDOE schools.

On April 12, 2023, IFB 009-2023 was issued to procure these services. The scope of work included:

- Outright purchase of new AC units;
- Removal and disposal of existing units;
- Refrigerant recovery from removed units;
- Installation of new units across all campuses; and

- Replacement of electrical conduits, junction boxes, transformers, disconnect boxes, and condensate piping on an as-needed basis.

GDOE's procurement of the AC units and installation services under IFB 009-2023 was designed to be issued as four separately awarded contracts for each of GDOE's school regions: Lågu, Kåttan, Luchan, and Håya. Vendors were able to bid for one, multiple, or all regions.

In October 2023, GDOE executed four separate contracts with J&B Modern Tech for the outright purchase, installation, and preventive maintenance of AC units throughout the Department's four school regions. Each regional contract was awarded as a firm fixed-price contract and established the quantities, unit types, and pricing for the equipment and installation services to be provided within the respective region.

Tables 1 through 4 summarize the unit sizes, quantities, unit prices, and total contract amounts awarded under each regional contract, as reflected in the corresponding purchase orders issued by GDOE.

Table 1: Region I Lågu-PO 20240004

LINE	SIZE	QTY.	UNIT COST	TOTAL
1	12k	35	$ 2,400.30	$ 84,010.50
2	24k	43	$ 2,731.05	$ 117,435.15
3	30k	440	$ 3,046.05	$1,340,262.00
4	36k	189	$ 3,182.55	$ 601,501.95
5	5 ton	108	$ 6,978.30	$ 753,656.40
6	7.5 ton	12	$ 8,487.15	$ 101,845.80
7	10 ton	10	$10,843.35	$ 108,433.50
8	15 ton	14	$14,784.00	$ 206,976.00
9	20 ton	1	$19,275.90	$ 19,275.90
TOTALS		852		$3,333,397.20

Table 2: Region II Luchan-PO 20240003

LINE	SIZE	QTY.	UNIT COST	TOTAL
1	12k	19	$ 2,400.30	$ 45,605.70
2	24k	77	$ 2,731.05	$ 210,290.85
3	30k	67	$ 3,046.05	$ 204,085.35
4	36k	77	$ 3,182.55	$ 245,056.35
5	5 ton	55	$ 6,978.30	$ 383,806.50
6	10 ton	13	$ 10,843.35	$ 140,963.55
7	15 ton	2	$ 14,784.00	$ 29,568.00
8	50 ton	1	$ 62,720.70	$ 62,720.70
TOTALS		311		$1,322,097.00

Table 3: Region III Kåttan-PO 20240002

LINE	SIZE	QTY.	UNIT COST	TOTAL
1	12k	35	$ 2,400.30	$ 84,010.50
2	24k	54	$ 2,731.05	$ 147,476.70
3	30k	453	$ 3,046.05	$1,379,860.65
4	36k	145	$ 3,182.55	$ 461,469.75
5	42k	48	$ 4,684.05	$ 224,834.40
6	2.5 ton	1	$ 5,991.30	$ 5,991.30
7	4 ton	2	$ 6,667.50	$ 13,335.00
8	5 ton	38	$ 6,978.30	$ 265,175.40
9	10 ton	3	$10,843.35	$ 32,530.05
10	20 ton	3	$19,275.90	$ 57,827.70
11	30 ton	1	$39,535.65	$ 39,535.65
TOTALS		783		$2,712,047.10

Table 4: Region IV Håya-PO 20240005

LINE	SIZE	QTY.	UNIT COST	TOTAL
1	12k	35	$ 2,400.30	$ 84,010.50
2	24k	164	$ 2,731.05	$ 447,892.20
3	30k	212	$ 3,046.05	$ 645,762.60
4	36k	93	$ 3,182.55	$ 295,977.15
5	48k	2	$ 5,267.85	$ 10,535.70
6	5 ton	36	$ 6,978.30	$ 251,218.80
7	7.5 ton	4	$ 8,487.15	$ 33,948.60
8	10 ton	3	$ 10,843.35	$ 32,530.05
9	15 ton	13	$ 14,784.00	$ 192,192.00
10	20 ton	30	$ 19,275.90	$ 578,277.00
11	25 ton	2	$ 20,479.20	$ 40,958.40
TOTALS		594		$2,613,303.00

Contractual Terms

The four regional contracts awarded under IFB 009-2023 contained several provisions governing contractor performance, pricing, and contract administration, including:

- Each agreement was awarded for the purchase, installation, warranty, repair, and preventive maintenance of AC units within the respective school region.
- Under Section I.A., Scope of Work, the contractor was required to perform services in accordance with IFB 009-2023 and the contractor's submitted bid. Failure to perform required services constituted a material breach of the agreement.
- Under Section III.A., Compensation, the contracts established firm fixed prices for the agreed-upon work and stated that the majority of installation activities would be completed during the initial two-year contract term.
- Under Section III.F., Delivery of Goods, the contractor was required to complete 25% of installation work within 90 calendar days of the Notice to Proceed and the executed contract, and to complete the remaining installations over the following three quarters. The contractor was also required to complete any additional units ordered by GDOE within 90 calendar days of the Department's request.
- Under Section III.D., Final Payment, final payment was conditioned upon satisfactory performance of all services required under the agreement.
- The agreements authorized GDOE to pursue termination for cause if the contractor failed to perform required services, failed to satisfy contract provisions, or otherwise committed a substantial breach of the agreement.

The management and oversight of the executed contracts under IFB 009-2023 extended through various divisions of the Department. For a summary of roles and responsibilities, see Appendix 4. Additionally, for a chronology of the procurement of IFB 009-2023, see Appendix 5.

Results of Audit

The Guam Department of Education (GDOE) awarded four regional firm fixed-price contracts to J&B Modern Tech totaling $9,980,844.30 under IFB 009-2023 for the purchase, installation, and preventive maintenance of 2,540 AC units for GDOE schools.

The executed contracts were funded through GDOE's American Rescue Plan award, which had a period of performance from April 8, 2021 through September 30, 2024. GDOE designated a portion of its award to replace and repair AC systems in GDOE schools to provide safe, clean air, adequate ventilation, and to promote a safe and comfortable learning environment.

Our audit identified the following deficiencies related to the procurement, administration, and oversight of the contracts:

- $2.7 million in ARP-funded AC units not timely placed into service, resulting in noncompliance with federal requirements governing the use of federally funded equipment;
- $9.5 million potential cost exposure to local funds resulting from weaknesses in contract management and GDOE's failure to enforce installation requirements under contracts awarded for the purchase and installation of AC units;
- Improper modifications of firm fixed-price contracts resulting in approximately $1 million in questioned costs, where the contract price was increased through internal purchase order modifications rather than contract amendments and change orders required by the executed agreements;
- $1.3 million in incurred obligations for AC installation services, materials, and related costs that were not supported by documented procurement authority and were not recorded as liabilities in the Department's financial records, weakening accountability over public funds;
- Approval of contractor payments despite documented installation deficiencies, resulting in $154 thousand in questioned costs and reduced assurance that public funds were expended only for completed, satisfactory, and contract-compliant work; and
- GDOE has not properly established fixed asset records or affixed asset tags to the 286 uninstalled units that remain in storage. This limits GDOE's ability to safeguard and accurately track equipment and demonstrates weaknesses in internal controls over asset management.

$2.7 Million in ARP-Funded AC Units Not Timely Placed into Service

Title 2 of the Code of Federal Regulations (CFR) §200.313(a)(1), requires that equipment acquired with federal funds be used for the authorized program purpose during the grant's period of performance or until the equipment is no longer needed.

Under 2 CFR 200.1, the period of performance is the time between the start and end dates of a federal award during which recipients are authorized to incur obligations and carry out grant activities. GDOE's ARP award period of performance extended from April 8, 2021 through September 30, 2024.

IFB 009-2023 required the purchase and ***installation*** of AC units, but the units remained uninstalled more than one year after receipt and were not used for their authorized program purpose. As of March 2026, 286 packaged tonnage units remained stored at GDOE's Piti Warehouse and were not used for their authorized program purpose during the ARP period of performance.

Based on interviews and documentation, installation of the units could not readily be completed as the units required additional conversion, ductwork, electrical work and materials before they could be placed into service. Documentation further indicates that GDOE became aware of these installation requirements prior to shipment.

In May 2024, GDOE officials met with the vendor to discuss the planned shipment of the packaged tonnage units to Guam. During that meeting, the vendor proposed converting the packaged units to split-ducted units prior to shipment at an additional cost of approximately $2.4 million.

In an email, dated May 31, 2024, the GDOE Facilities and Maintenance (F&M) Manager informed the vendor that "all key" GDOE personnel had decided not to pursue conversion and instructed the vendor to proceed with shipment of the packaged units as originally procured under the contract.

As a result, GDOE accepted delivery of the units despite knowing the units could not be timely placed into service without substantial additional work. See Image 1

Image 1: Email Correspondence - Shipment of Tonnage Units

On May 31, 2024, at 3:08 PM, [redacted] wrote:

[redacted]

After further review and discussions with all key personnel we GDOE has decided not to convert our packaged 5 ton units to split duct units. Please continue with what is mentioned on our P.O. contract.

Thank you

[redacted]

From: [redacted]
Date: May 31, 2024 at 5:31:44 PM GMT+10
To: [redacted]
Cc: [redacted]
Subject: Re: 5 T split duct conversion

[redacted]

Not only the 5-ton but also the different sizes that we sent you to include the 7.5, 10, and 15-ton units. As what Mr. Jim said, please continue what was mentioned in our PO contract and send all PKG units.

Thanks,

In April 2025, after shipment of the units, GDOE experienced challenges with completing installation, and the vendor quoted GDOE $9,543,132 for additional work necessary to convert the packaged units and complete installation. The quoted work included air duct extensions and other electrical work required to make the units operable. See Appendix 6.

After becoming aware of issues surrounding installation of the packaged tonnage units, GDOE officials did not establish a documented plan before shipment that identified the work required, the party responsible for performing and funding the work, and how the units would be installed and placed into service for their intended purpose within the ARP period of performance.

As a result, the units were not installed or placed into service during the ARP period of performance, which ended September 30, 2024. Although GDOE procured the units using ARP funds for the intended purpose of improving school facilities, the equipment remained unavailable for use during the grant period.

Because the units could not be readily installed without the additional work, the vendor began assessing storage charges while the units remained at its facility. According to a May 27, 2025 invoice, GDOE was billed $176,133 in storage costs associated with the idle tonnage units. See Appendix 7. To avoid further storage charges, GDOE coordinated the transfer of the units from the vendor's facility to GDOE's Piti Warehouse. Transmittal documents signed by GDOE F&M personnel show the units were received between May 2025 and October 2025. See Appendix 8. Despite the units not having been installed, the vendor subsequently invoiced GDOE $2,841,301 on November 12, 2025, for 286 packaged tonnage AC units. On March 13, 2026, GDOE remitted a reduced payment of $2,690,974.40, representing only the equipment portion of the procurement. To calculate the adjusted payment amount, GDOE removed estimated installation and labor costs from the vendor's original invoice. See Appendix 9.

This adjustment is significant because IFB 009-2023 required the purchase and installation of the AC units. The contractor's original $2.8 million invoice reflected the firm fixed-price contract amount, which included installation of the packaged tonnage units. By reducing the invoice to exclude installation costs, GDOE accepted and paid for the equipment without receiving the full scope of services required under the executed agreements.

Although GDOE was aware that additional work would be required to place the units into service, it accepted delivery of and subsequently paid for the equipment with federal funds without resolving responsibility for completing the remaining installation work to provide intended program benefit within the grant period of performance.

As a result, 286 units remain uninstalled at GDOE's Piti Warehouse, and approximately $2.7 million in ARP-funded equipment did not provide the intended program benefit during the grant period of performance. See Images 2 & 3.

Images above are of tonnage units procured under IFB 009-2023 currently uninstalled and stored at GDOE's Piti Warehouse.

Image 2

Image 3

Images above are of tonnage units procured under IFB 009-2023 currently uninstalled and stored at GDOE's Piti Warehouse.

The audit found that GDOE did not comply with federal requirements governing the use of equipment acquired with federal funds and could not demonstrate that the equipment provided a measurable benefit during the ARP period of performance. Accordingly, auditors questioned approximately $2.7 million associated with the acquisition of the 286 uninstalled AC units.

We recommend that GDOE:

1. Develop and implement a corrective action plan identifying the actions, responsible party, and timeline necessary to install, place into service, and utilize the remaining 286 AC units for their intended purpose.
2. Conduct a comprehensive assessment of the remaining uninstalled units to determine their current condition, storage status, warranty implications, and readiness for deployment.
3. Seek legal guidance regarding responsibility for completing installation of the remaining 286 AC units, including an evaluation of the contractor's obligations under the executed agreement and any available contractual remedies to ensure the units are installed and placed into service.
4. Strengthen project planning, contract administration, and procurement oversight processes to ensure future contracts clearly define responsibilities, enforce contractor performance requirements, and achieve intended program outcomes.

Failure to Enforce and Resolve Contractual Installation Requirements Exposed GDOE to Approximately $9.5 Million Potential Local Costs

IFB 009-2023, Section 2.2 *Purpose*, required the contractor to provide all necessary labor, materials, transportation, supervision, equipment, field investigation, and other incidental work required to complete the services specified in the solicitation. Section 2.6 *Equipment Removal and Replacement Requirements*, further required removal and replacement activities to be "all-inclusive" and specifically identified installation-related components such as electrical conduits, disconnect boxes, junction boxes, electrical wiring, condensate piping, mounting hardware, and other work necessary to complete installation. In addition, Section 2.8 Electrical Works, required the contractor to inspect existing electrical units to ensure facilities had the capacity to support installations performed under the contract. See Image 4.

Image 4: IFB 009-2023 Section 2.8 Electrical Works

2.8. ELECTRICAL WORKS

Contractor must inspect all existing electrical units to ensure the facility has the in-house capacity to support all installations done under the contract. Upon installation of air conditioning units, the Contractor must inform GDOE Facilities and Maintenance of any upgrade to the existing electrical panels which must be performed. The Contractor is responsible to replace or repair any electrical or physical damage done during or prior to installation.

Electrical works will include, but not limited to the following:

a. Electrical wiring/rewiring, on a case by case basis
b. Step-down/Step-up transformer.
c. Electrical subpanel.

The executed agreements required the contractor to perform the services described in the IFB and provided that failure to perform required services constituted a material breach of the agreement. The agreements further established the contracts as firm fixed-price contracts and required documentation for any modification to the services to be provided or compensation to be paid. Additionally, 2 GAR §3119(d)(2) provides that a firm fixed-price contract is not subject to adjustment because of variations in the contractor's cost of performing the work specified in the contract.

IFB 009-2023 was awarded as a firm fixed-price contract for the purchase, installation, and preventive maintenance of AC units at GDOE schools. Although installation was a required component of the contract scope, GDOE did not effectively enforce the contractor’s installation obligations after disputes arose regarding additional work needed to place 286 packaged tonnage units into service. Consequently, GDOE faces potential future costs of approximately $9.5 million, based on the contractor’s quotation, to complete the additional work identified as necessary to install the 286 packaged tonnage units and place the units into service.

Although installation was required under the executed agreements, installation of 286 packaged tonnage units was not completed. The contractor later asserted in a price quotation that additional conversion, ductwork, and electrical work were required before the units could be placed into service.

Auditors found no evidence that GDOE formally evaluated whether the contractor’s request for additional compensation was consistent with the contractor’s existing contractual responsibilities under the executed agreements. Auditors also found no evidence that GDOE pursued available contractual remedies, executed a written contract amendment or change order, or otherwise formally resolved responsibility for completing installation before accepting delivery of the equipment.

Instead, GDOE accepted delivery of the 286 packaged tonnage units and subsequently paid the equipment portion of the procurement while installation responsibilities remained unresolved. As of the date of this report, the units remain stored at GDOE’s Piti Warehouse and have not been placed into service.

During the pre-bid question-and-answer process, the contractor asked whether electrical work should be included in bid pricing or quoted separately if necessary. GDOE responded that electrical work would be quoted when necessary because it was on an “as-needed” basis. Although this response acknowledged that certain electrical work could arise during contract performance, it did not modify the contractor's obligations under the executed agreements or authorize additional compensation absent a written contract modification. See Image 5.

Image 5: IFB 009-2023 J&B Pre-Bid Questions & GDOE Response

g. 2.8-Electrical Works: To be included in Bid form Pricing or to be quoted separately to GDOE if necessary?
GDOE Response: Electrical works will be quoted when it is necessary since this is on an "as-needed" basis.

On April 4, 2025, the contractor submitted a quotation totaling approximately $9.5 million for additional work required to complete installation of the 286 packaged tonnage units. The proposed work included conversion of the packaged units, duct extensions, and related electrical work necessary to make the units operational. This flexibility in pricing for required installation-related work appears to be a direct result of GDOE's response stating electrical works could be quoted "as-needed".

By permitting the contractor to submit substantial post-award quotations for installation-related work, GDOE undermined the price certainty and cost-control protections intended under a firm fixed-price contract. As a result, installation services that were required under the awarded contracts remain incomplete and unresolved.

Because GDOE did not formally resolve responsibility for completing installation, it faces potential future costs of approximately $9.5 million to place the 286 packaged tonnage units into service. Given that ARP funding has expired, any future installation costs may require local appropriations or other non-federal funding sources. GDOE's failure to enforce contractual installation requirements increased the risk that the Government of Guam will bear costs that may otherwise have been the responsibility of the contractor under the executed federally funded agreements, creating a potential financial burden on limited local government resources. Additionally, this poses a risk of potential noncompliance with a provision in Public Law 38-60 that restricts the use of GDOE local appropriations to fund federally funded activities and expenditures.

We recommend that GDOE:

1. Seek legal guidance regarding the contractor's obligations under the executed agreements and evaluate whether contractual remedies remain available to require completion of installation services.

Improper Contract Modifications Resulted in $1.0 Million in Questioned Costs

Although IFB 009-2023 was awarded through four regional firm fixed-price contracts for the purchase, installation, and preventive maintenance of air conditioning units, GDOE increased and modified contract compensation through internal purchase order modifications rather than executed contract amendments or change orders required by Guam Procurement regulations, the executed agreements, and GDOE policy.

Between August 2024 and September 2025, GDOE processed multiple modifications that collectively increased contract compensation by a net $1,000,485 and reallocated equipment among regional contracts. Auditors found no evidence of executed contract amendments or written change orders signed by both GDOE and the contractor authorizing these modifications.

As a result, GDOE's contract increases do not comply with procurement regulations, executed agreement terms and conditions, or GDOE policy governing the modification of firm fixed-price contracts, resulting in approximately $1.0 million in questioned costs.

Internal Modifications in Place of Required Contract Change Orders

Title 2 of the Guam Administrative Rules and Regulations (GAR) §3119(d)(2) provides that a firm fixed-price contract establishes a price that is not subject to adjustment based on variations in the contractor's cost of performing the required work. Under this contract type, responsibility for cost performance generally rests with the contractor.

Further, 2 GAR §6101(3)(a) establishes a standard Changes Clause for fixed-price contracts. When incorporated into a contract, the clause authorizes the Chief Procurement Officer or the head of a purchasing agency to issue written change orders for changes within the general scope of the contract, including changes to specifications, method of shipment or packing, and place of delivery. Additionally, 2 GAR §6101(3)(a)(2) provides that when a change order affects the contractor's cost of performance or the time required to perform the work, an appropriate adjustment must be made and the contract must be modified in writing.

Consistent with these provisions, Section III.A Compensation, each executed regional agreement established a firm fixed-price contract with a not-to-exceed compensation amount. Section XXXII, Amendments/Modifications, further provides that any amendment or modification to the Agreement is effective only if made in writing and signed by authorized representatives of both GDOE and the contractor. Additionally, the agreements require changes to services, equipment, or compensation to be executed through written change orders supported by appropriate approvals and funding certification. Such change orders must remain consistent with the scope of work of the agreement.

To implement these requirements, GDOE SOP 200-038, Section VII.B, establishes the Department's procedures for modifying existing contracts. The SOP requires the End User to submit a Contract Change Order Memo identifying the contractual authority for the requested modification and describing any proposed change in compensation. Where an amendment to the agreement is required, the SOP further requires preparation of an Amendment of Agreement by GDOE Legal Counsel, completion of required internal approvals, execution by both GDOE and the contractor, and an attachment of the fully executed Contract Change Order Memo and Amendment to the MUNIS Purchase Order Change Order as supporting documentation.

Contrary to these procurement regulations, contractual requirements, and GDOE procedures, GDOE officials increased contract compensation through internal purchase order modifications totaling $1,000,485 in net increases without executing the required contract amendments or change orders. See Table 5:

Table 5: Summary of Executed Purchase Order Modifications

Purchase Order	Original PO Amount	August 2024 Modification	Februrary 2025 Modification	June 2025 Modification	September 2025 Modification	Current PO Amount	Net Change
20240002 - Kattan	$ 2,712,047	$ 271,205	$ 13,244	$ 33,025	$ (61,079)	$ 2,968,442	$ 256,394
20240003 - Luchan	$ 1,322,097	$ 132,210	$ 3,046	$ 14,784	$ 27,414	$ 1,499,551	$ 177,454
20240004 - Lagu	$ 3,333,397	$ 333,340	$ (16,290)	$ (42,856)	$ (38,953)	$ 3,568,639	$ 235,241
20240005 - Haya	$ 2,613,303	$ 261,330	$ -	$ (4,953)	$ 75,017	$ 2,944,698	$ 331,395
Totals	**$ 9,980,844**	**$ 998,084**	**$ -**	**$ -**	**$ 2,400**	**$ 10,981,329**	**$1,000,485**

<u>10% Increase to Contract Price</u>

In August 2024, the F&M Manager requested to increase purchase orders under IFB 009-2023 by 10% of each contract amount. The increase was intended:

> "...to cover ancillary services rendered in direct support of the contracted AC packaged tonnage installation, including necessary electrical and ductwork preparation required to ensure proper function and compliance during unit replacement at the school site". See Appendices 7 through 9.

The modification requests were reviewed by the ARP Project Lead for grant compliance, certified for funds availability by designated GDOE certifying officers, and approved by the Supply Management Administrator through GDOE's internal purchase order modification process. These modifications increased contract compensation by approximately $998,084.

However, auditors found no evidence of executed written contract amendments or change orders agreed upon by both GDOE and the contractor authorizing the increased compensation as required by procurement regulations and the executed agreements, nor was there documentation of an internal review by GDOE Legal Counsel or GDOE Management as required by SOP 200-038.

Further, the justification for increasing contract compensation to fund ancillary services associated with installation—a service already required under the contract terms and conditions—is inconsistent with the nature of a firm fixed-price contract, which under 2 GAR §3119(d)(2) is not subject to adjustment based on variations in the contractor's cost of performing required work. By approving additional compensation for installation-related activities that were necessary to satisfy existing contractual requirements, GDOE assumed costs that would ordinarily be borne by the contractor under a firm fixed-price arrangement.

<u>Reallocation of Units between Regional Contracts</u>

Following the initial increase, GDOE continued modifying the contracts through internal purchase order adjustments rather than through properly executed contract change orders.

System records show that GDOE processed multiple purchase order modifications reallocating AC units among separately awarded regional contracts. Although IFB 009-2023 consisted of four independent regional contracts, GDOE administered the contracts as though they were interchangeable because they had been awarded to one vendor.

For example, in September 2025, GDOE processed a modification increasing the Håya region purchase order by $75,017 through the reallocation of units originally awarded under the Kåttan and Lågu regional contracts. Corresponding decreases were also processed against the originating regional purchase orders.

Although these reallocations offset one another, auditors found no executed contract amendments or change orders authorizing the transfer of quantities, adjustment of regional contract obligations, or corresponding changes to contract compensation.

PO Modifications Executed After Grant Period of Performance

Federal regulations define the period of performance as the time interval during which a recipient may incur new obligations to carry out the work authorized under a federal award. GDOE's ARP grant award notification established a period of performance from April 8, 2021, through September 30, 2024. USEd further stated that all ARP ESSER funds were required to be obligated by September 30, 2024 and that ARP ESSER program funds could not be obligated beyond that date.

The audit identified multiple instances in which GDOE executed PO modifications after the ARP obligation deadline of September 30, 2024. These post-period of performance modifications adjusted contract deliverables and not-to-exceed amounts after the period for obligating ARP funds expired.

Although the cumulative net financial impact of the post-period modifications was approximately $2,400, this amount resulted from offsetting increases and decreases across multiple contracts and does not fully reflect the extent of post-award modification activity. In total, purchase order modifications executed before and after the expiration of the grant affected contract values by approximately $1 million. See Table 6.

Table 6: Summary of Contract Adjustments[1]

Region	PO Number	Total Conract Adjustments	Net Adjustments After POP	Net Increase/(Decrease) After POP
Kattan	20240002	$ 256,394	$ (14,810)	Decrease
Luchan	20240003	$ 177,454	$ 45,245	Increase
Lagu	20240004	$ 235,241	$ (98,098)	Decrease
Haya	20240005	$ 331,395	$ 70,064	Increase
		$ 1,000,485	**$ 2,400**	**Net Increase**

These conditions occurred because GDOE lacked effective review and approval controls to ensure that purchase order modifications were consistent with the provisions of the executed agreements, GDOE policy, and Guam procurement regulations. Additionally, the audit identified no formal process used by GDOE to track, monitor, or reconcile post-award purchase order modifications, including determining whether the resulting changes to obligations were within the authorized grant period of performance.

By increasing contract values through internal purchase order modifications rather than executed contract change orders, GDOE did not comply with the modification requirements established in

[1] This table summarizes only the net effect of purchase order modifications executed after the ARP grant period of performance ended on September 30, 2024. Detailed transaction-level schedules by region and date are included in Appendix 9.

the executed agreements. As a result, contract changes were implemented without the written approvals and contractual documentation required to demonstrate mutual agreement by both GDOE and the contractor. This weakened procurement transparency, reduced accountability over contract administration, and increased the risk that public funds were expended without adequate review from appropriate GDOE officials.

Accordingly, auditors questioned $1,000,485 in contract increases because GDOE could not provide executed contract modifications or other documentation establishing legal authority for the increased contract compensation.

We recommend that GDOE:

1. Ensure all changes affecting contract scope, quantities, deliverables, pricing, or performance are executed through formal written contract amendments or change orders in accordance with the terms of contractual agreements and GDOE policy.
2. Discontinue the practice of applying arbitrary percentage increases to contract amounts unless expressly authorized by applicable procurement law, regulation, or contract provisions.
3. Strengthen internal controls to ensure all PO modifications are completed and approved within the authorized grant period of performance.

GDOE Incurred $1.3 Million in Unauthorized Procurement Activities and Did Not Record Known Liabilities

Pursuant to 5 GCA § 5210(a), all Guam contracts shall be awarded through competitive sealed bidding unless otherwise authorized by law. Procurement actions conducted outside the competitive bidding process must be supported by an applicable statutory exception, approved procurement authority, or other lawful justification.

GDOE Standard Operating Procedure (SOP) 200-034, *Accounts Payable & Cash Disbursements*, defines direct payments as payments that do not originate from a purchase order, including employee reimbursements, local mileage reimbursements, off-island travel advances, postage and freight, payroll deductions, membership dues, payments to government entities, settlements, survivor benefits, bank fees, and refunds. Direct payments are not intended to serve as a substitute for required procurement procedures or to authorize payment for services performed without a valid procurement instrument.

Governmental accounting standards require governments to recognize liabilities when a present obligation exists and the government has little or no discretion to avoid the sacrifice of resources. Obligations for goods and services received that remain unpaid generally represent liabilities that should be recognized in accordance with applicable GASB reporting requirements.

Our audit identified approximately $1.3 million in obligations incurred by GDOE for AC installation services, materials, and related costs that were not supported by documented procurement authority and were not recorded as liabilities in the Department's financial records.

GDOE previously awarded IFB 009-2023, a competitively procured contract totaling approximately $10 million, for the purchase and installation of AC units at GDOE facilities. During the pre-bid question-and-answer process, a prospective bidder asked whether electrical work should be included in bid pricing or quoted separately if necessary. GDOE responded that electrical work would be quoted when necessary because it was on an "as-needed basis."

Although the response contemplated that certain electrical work may be identified during contract performance, auditors found no evidence that the "as-needed" language authorized GDOE to obtain substantial additional services, materials, and related costs outside the awarded contract amount without a contract modification, change order, separate procurement, or other documented procurement authority.

The Department subsequently relied on the "as-needed" language to justify additional work performed by the IFB 009-2023 contractor. Rather than obtaining additional services through a properly executed contract amendment or separate procurement action, GDOE allowed the vendor to perform additional work and later attempted to process payment through direct payment requests. The documented requests for payment provide evidence that GDOE management was aware of services rendered outside the scope of the established contracts and that GDOE officials had approved the additional work to be provided. As of the date of this report, the liability for additional work provided remains unrecorded and payment unresolved.

Auditors reviewed three direct payment requests submitted by the Facilities and Maintenance (F&M) Manager:

$627,209 for AC Installation Services and Materials
On September 16, 2025, the F&M Manager submitted a memorandum for a direct payment request totaling $627,209 for additional AC installation services performed at multiple GDOE school facilities, including electrical materials, step-down transformers, additional line sets, wall penetrations, and other related installation costs.

The memorandum stated that the services were authorized under IFB 009-2023 on an "as-needed basis" and were therefore not included in the original contract amount; however, auditors found no executed contract modification, change order, procurement exception, or other documentation demonstrating that the additional obligations were authorized.

The request also included approximately $176,113 for vendor storage and security fees incurred before the AC units were transferred to the Piti Warehouse. Auditors found no documentation demonstrating that these costs were included within the original contract scope or otherwise authorized through a valid procurement action. See Appendix 15.

$523,998 for Duct Liner, Sheet Metal, and Step-Down Transformer
On September 19, 2025, the F&M Manager submitted a memorandum for a direct payment request totaling $523,998 for duct liner, sheet metal, and a step-down transformer procured by the vendor to support installation of packaged tonnage AC units at various school locations.

According to the request, the materials were acquired at the beginning of the contract to ensure timely installation; however, auditors found no documentation demonstrating that these materials were separately procured, included through a contract modification, or otherwise authorized under Guam Procurement Law.

The vendor quotation attached to the memorandum stated that the materials were "exclusively ordered" for installation of packaged tonnage units. This statement further indicates that the materials were specifically acquired for GDOE's project; however, no documentation was provided to demonstrate that GDOE authorized the purchase through established procurement procedures. See Appendix 16.

$100,185 for AC Installation at Okkodo High School
On September 19, 2025, the F&M Manager submitted a direct payment request totaling $100,185 for installation of AC units at Okkodo High School. See Appendix 17.

The work does not appear to have been associated with IFB 009-2023, as Okkodo High School was not included in the competitively awarded contract. The supporting documentation indicates that the work was performed to replace AC systems damaged by Typhoon Mawar, which occurred in May 2023. Vendor invoices supporting the request were dated August 2025, more than two years after the disaster.

Rather than conducting a separate procurement or documenting an authorized procurement exception, GDOE permitted the vendor to perform the work without documented procurement authority. Department officials indicated that these costs were intended to be reimbursed by FEMA as eligible Typhoon Mawar-related expenses; however, depending on applicable FEMA requirements and deadlines, GDOE may be in jeopardy of obtaining FEMA reimbursement because GDOE has not paid the vendor and has delayed processing the related invoices.

Failure to Record Known Liabilities
In addition to the procurement deficiencies, auditors determined that GDOE failed to record approximately $1.3 million in known obligations, despite documentation demonstrating that Department leadership recognized the liabilities.

Each direct payment request memorandum was approved by the former Superintendent—the Department's Chief Procurement Officer and statutory approving authority for the expenditure of funds—and the former Deputy Superintendent of Assessment and Accountability, who oversees F&M. Signature blocks for the Deputy Superintendent of Finance and Administrative Services (DFAS) and GDOE Legal Counsel were included but remained unsigned.

By approving the direct payment requests, Department leadership acknowledged that the vendor had performed services, provided materials, and was seeking payment. Despite this acknowledgment, GDOE did not record the related invoices in the Munis financial system, establish accounts payable or accrued liabilities, or otherwise recognize the obligations in its financial records.

The fact that the expenditures lacked proper procurement support does not eliminate GDOE's responsibility to accurately report known liabilities. Once goods and services were received and management acknowledged the obligation through approved payment requests, GDOE should have evaluated and recorded the resulting liability.

Auditors became aware of these obligations during inquiries and information-gathering procedures performed as part of the investigative audit. Absent this audit, these obligations would likely not have been identified through normal financial reporting processes, because they were neither recorded in Munis nor reflected in routine financial reports.

Additional Procurement Concerns

IAO identified similar concerns regarding the Department's use of direct payments to resolve services performed without valid procurement instruments. For example, after GDOE's solid waste collection contract expired, the Department allowed the vendor to continue providing services without a renewed contract or other procurement instrument. The resulting $76,309 obligation was subsequently paid through a direct payment because no purchase order existed from which funds could be liquidated. See Appendix 18.

This payment was requested by the F&M Manager, certified by the DFAS, and approved by the Superintendent. The circumstances indicate that GDOE permitted vendors to continue providing services without completing required procurement actions and subsequently relied on direct payments to resolve resulting obligations.

As a result of these conditions, GDOE incurred approximately $1.3 million in obligations without sufficient documentation demonstrating that the expenditures were supported by valid procurement authority. By allowing vendors to perform work outside the scope of an existing contract without approved modifications, documented procurement exceptions, or other authorized procurement actions, GDOE circumvented competitive procurement requirements and weakened accountability over the use of public funds.

GDOE's failure to record these obligations in the Munis financial system resulted in an understatement of the Department's liabilities and reduced the accuracy and transparency of its financial reporting. Although Department leadership approved the direct payment requests and acknowledged that the vendor provided goods and services for which payment was requested, GDOE did not establish the corresponding liabilities or disclose the outstanding obligations in its financial records.

The failure to recognize these known obligations limited management's ability to monitor outstanding commitments, impaired financial decision-making, and increased the risk that significant liabilities could remain undisclosed until identified through external review or other reporting mechanisms. Additionally, because the obligations remained unpaid, GDOE increased its exposure to vendor disputes, legal claims, interest, attorney's fees, and other costs associated with delayed payment.

For the Okkodo High School AC installation costs, GDOE's delayed processing and nonpayment of invoices related to Typhoon Mawar repairs may have jeopardized its ability to obtain FEMA reimbursement for eligible disaster-related expenditures. If reimbursement is no longer available, GDOE may be required to use local funds to satisfy costs that may otherwise have been eligible for federal assistance.

The continued use of direct payments to resolve obligations incurred without proper procurement documentation demonstrates weaknesses in GDOE's procurement and financial controls. Without corrective action, the Department remains at increased risk of continuing to incur unauthorized obligations, misstating financial liabilities, and reducing public confidence in its stewardship of government resources.

These conditions occurred because GDOE management did not ensure that additional work outside the original contract scope was supported by appropriate procurement actions before services were performed. Management relied on the "as-needed" language from the IFB Q&A process as authority to incur additional obligations without documented contract modifications or procurement approvals.

Additionally, GDOE lacked sufficient financial controls to ensure that known obligations were recorded when management became aware of outstanding liabilities. Despite approving payment requests acknowledging the obligations, responsible officials did not ensure that the related liabilities were entered into the financial system.

We recommend that GDOE:

1. Immediately record all outstanding obligations in Munis to accurately reflect known liabilities.
2. Ensure all future contract modifications, change orders, and additional services are properly authorized before work begins.
3. Ensure direct payments are used for authorized purposes and are not used to bypass required procurement procedures.
4. Establish procedures requiring procurement, finance, and legal review before approving payment for services performed outside an existing contract.
5. Evaluate whether FEMA reimbursement remains available for Typhoon Mawar-related expenditures and take appropriate action to preserve eligible funding.
6. Implement stronger monitoring and accountability measures to prevent vendors from performing unauthorized work outside contract scope.

GDOE Approved Contractor Payments Despite Noted Deficiencies Resulting in $154 Thousand in Questioned Costs

Section I.A, Scope of Work, of the executed agreements required the contractor to perform services in accordance with IFB 009-2023 and the contractor's submitted bid. Further, by agreeing to the terms and conditions of the executed contracts, the contractor recognized that failure to perform required services would constitute a material breach of the agreement. Section III.D, Final Payment, also provides that final payment shall be made only upon satisfactory performance of all services required under the agreement.

Additionally, Section 3.2.11 of IFB 009-2023 states that GDOE would inspect and test all goods, supplies, materials, or equipment delivered and that GDOE reserved the right to reject, and at its discretion, require replacement of items determined to be defective in material, construction, workmanship, manufacturing, or performance and/or that do not conform to the specifications described in IFB 009-2023.

Section 2.10. GDOE Quality Control of IFB 009-2023 requires the GDOE AC Quality Control Team to review all work performed under the contract to ensure it complies with industry standards and contract requirements. Upon notification of substandard work, the contractor is required to initiate corrective action within five (5) working days and satisfactorily complete the required corrective action within three (3) working days thereafter. If the contractor fails to satisfactorily complete the corrective action within the prescribed timeframe, GDOE may retain payment in an amount sufficient to hire another contractor to complete the pending, unfinished, or substandard work.

GDOE approved and processed contractor payments without documented verification that identified installation deficiencies had been corrected. Quality control inspections had identified numerous deficiencies requiring corrective action, and GPA engineering personnel repeatedly reported these deficiencies and recommended withholding a portion of the contractor's payments until the corrective work was completed. Despite these recommendations, GDOE continued approving invoices and certifying contractor performance without documentation to demonstrate that the identified deficiencies were resolved before payment.

To assist with project oversight, GDOE utilized engineering support from the Guam Power Authority (GPA) through an existing Memorandum of Agreement. According to interviews with GPA engineering personnel, they performed quality control inspections of AC installations at GDOE school sites and documented deficiencies requiring corrective action. GPA engineering personnel reported conducting a total of 43 inspections, covering over 733 units, resulting in 3,822 findings.

During our review, we obtained inspection reports, prepared by GPA Engineering, identifying numerous installation deficiencies. For example, a February 1, 2024 quality control inspection report for Harry S. Truman Elementary School documented deficiencies affecting 22 AC installations, including missing tie-downs, missing voltage monitors and associated electrical components, unsecured condensate lines, missing clamps, unsealed penetrations, improper drainage, missing mounting pads, and failure to remove old equipment. The report required corrective action for each identified deficiency. See Appendix 13 and the Images below.

The following images are excerpts from the GPA Engineer quality control inspection reports of various schools.

Image 6

	Room, Unit: Cafeteria, 4
3	A. Condensate hose to pipe transition is unsecured B. Clamps (multiple places) are old and rusted 

Image 7

GDOE Project QC Inspection Report HS Truman Elementary School 02/01/2024

Item #	Issue Identified	Corrective Action Required
1	Room: 2 1. Mounting isolation pads (4) missing. 2. Clamps (2) are old and rusty.	1. Install new mounting pad rubber isolators. Tighten ALL mounting nuts to manufacturer's recommended specifications. 2. Replace with new clamps.

Image 8

C. Water bottle left on top of FCU
D. Prior unit penetration hole is unsealed

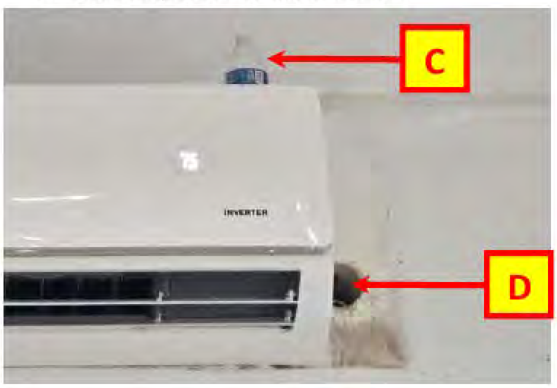

Image 9

D. Electrical conduit is old and rusty

Image 10a

Room: C106
1. Water appears to be forming a puddle under condensate pipe p-trap, suggesting a leak exists.
2. Superficial damage to ACCU housing at several places. Additionally, comparing the level-sight POV between C102 and C106 ACCU shows that the C106 fan assembly is depressed inward. Also, there appears to be condensate water dripping along the housing.

Image 10b

In addition to the inspection reports, the GPA Engineer communicated concerns regarding contractor performance directly to GDOE management. In a February 29, 2024 email to GDOE officials, the engineer stated that after completing quality control inspections at 15 schools, he had observed no improvement in the contractor's work and had "zero confidence" that the contractor was making a substantial effort to correct identified deficiencies. The engineer further advised that GDOE withhold approximately 20 to 25% of contractor payments until corrective work was completed. See Appendix 14.

Email correspondence indicates that GDOE management was aware of the inspection findings and discussed meeting with the contractor regarding the reported deficiencies.

Although the contract required satisfactory completion of all services prior to final payment and identified failure to perform required services as a material breach, GDOE ultimately processed and liquidated approximately \$10.8 million, 98%, of the combined contract values, despite documented quality control findings identifying numerous installation deficiencies at multiple school sites. GPA Engineering inspections repeatedly identified deficiencies requiring corrective action, and the assigned engineer expressly advised GDOE management to withhold 20% to 25% of contractor payments until corrective work was completed. Despite these findings, GDOE continued approving contractor invoices.

Auditors found no evidence that GDOE established procedures requiring documented resolution of inspection findings prior to approving contractor payments. As a result, GDOE lacks assurance that payments made under IFB 009-2023 accurately reflect completed and accepted contract performance. This increases the risk that public funds were expended for incomplete, deficient, or otherwise unverified work.

The GPA Engineer recommended that GDOE withhold 20 to 25% of contractor payments on February 29, 2024. By then, GDOE had already paid contractor invoices totaling \$771,503.30, which included work that had been identified as subpar by the GPA Engineer. As such, we calculated 20% of these payments as subject to withholding pending corrective action by the contractor. Therefore, auditors question an estimated \$154,301 in contractor payments made for work that was deemed insufficient by GPA engineering personnel.

We recommend that GDOE:

1. Strengthen contract administration and payment approval controls to ensure satisfactory performance and resolution of performance deficiencies before payments are finalized and that applicable contract provisions are enforced.

Improper Asset Tracking of ARP-Funded AC Units

Federal regulations require that equipment purchased with federal funds be properly tracked and controlled throughout its useful life. Pursuant to 2 CFR §200.302(b)(4), a federal grant recipient's financial management system must provide for effective control over and accountability of all funds, property, and assets, and the recipient must safeguard all assets and ensure they are used solely for authorized purposes. Further, under 2 CFR §200.313, non-federal entities are responsible for maintaining accurate property records, conducting physical inventories at least once every two years, and establishing control systems to safeguard federally funded equipment. These requirements are intended to ensure appropriate use of grant-funded assets and to prevent waste, loss, or mismanagement.

GDOE's internal policies further establish asset management requirements. GDOE SOP 200-015, Fixed Asset Management, defines a fixed asset as a tangible item with an acquisition cost of at least $5,000, a useful life of at least one year that is not a repair part or component of equipment, a building, or supplies. The policy requires that fixed assets be affixed with bar-coded asset tags and that receipt of assets be documented through a receiving report signed by an authorized division-level receiver. Upon receipt, assets are to be entered into the Munis system and corresponding asset records created.

Based on our review, although 286 ARP-funded AC units were received and paid for, GDOE has not established fixed asset records or affixed asset tags to the units while they remain in storage pending installation. In a December 2025 email, the Inventory Management Officer informed Capital Improvement Projects (CIP) personnel that the Property Management Office determined that no asset tagging would be performed on the stored packaged tonnage units until each unit was fully installed.

The absence of asset tagging and system records for the idle packaged tonnage units means that GDOE's asset records are inaccurate and understated and also limits GDOE's ability to accurately track the units' location, condition, and installation status. It also hinders oversight of the units' safeguarding and timely installation. As a result, the units are at increased risk of loss, misplacement, unauthorized use, and prolonged non-deployment, which may lead to deterioration from environmental exposure or damage by rodents.

This deficiency in asset tracking reflects weaknesses in GDOE's internal controls over inventory management, warehouse operations, and federal grant compliance. Without complete and accurate asset records, GDOE cannot effectively demonstrate accountability for ARP-funded equipment or ensure that assets are placed into service in a timely manner to support program objectives.

We recommend that GDOE:

1. Complete and reconcile the fixed-asset inventory for all 286 packaged tonnage AC units, including affixing asset tags and establishing complete and accurate records in the Munis system.
2. Ensure consistent compliance with existing federal requirements and GDOE fixed-asset management procedures for the timely identification, recording, reconciliation, and safeguarding of fixed assets, including assets held in storage pending installation.

Conclusion and Recommendations

Our audit of IFB 009-2023 identified significant weaknesses in contract administration, procurement oversight, project management, and financial controls related to the purchase, installation, and preventive maintenance of air conditioning units funded through the ARP.

These deficiencies have direct and measurable effects on GDOE operations and financial management, including:

- **$2.7 Million in ARP-Funded AC Units Not Timely Placed into Service:** GDOE did not ensure that 286 packaged tonnage units procured under IFB 009-2023 were installed and placed into service during the ARP period of performance. Although installation was a required component of the contract, the units remain uninstalled and stored at GDOE's Piti Warehouse. As a result, approximately $2.7 million in federally funded equipment did not provide its intended programmatic benefit during the grant period and remains questioned. GDOE is not in compliance with federal regulations governing the use of federally acquired equipment.
- **An Estimated $9.5 Million in Additional Cost to Local Funds:** IFB 009-2023 was awarded for the purchase, installation, and preventive maintenance of AC units. However, GDOE did not effectively enforce the contractor's installation obligations after disputes arose regarding additional work required to place 286 packaged tonnage units into service. The contractor subsequently submitted a quotation totaling approximately $9.5 million for additional installation-related work. Because responsibility for completing installation remains unresolved and ARP funding has expired, Government of Guam local financial resources face potential future costs to place the units into operation.
- **Improper Modification of Firm Fixed-Price Contracts Resulted in $1.0 Million in Questioned Costs:** GDOE increased contract compensation through internal purchase order modifications rather than utilizing contract amendments and change orders required by procurement regulations and the executed agreements. These actions weakened transparency and accountability over contract administration and undermined the cost-control protections inherent in firm fixed-price contracting.
- **$1.3 Million in Unauthorized Procurement Activities and Unrecorded Liabilities**: GDOE incurred $1.3 million in obligations for AC installation services, materials, and related costs that were not supported by documented procurement authority and were not recorded as liabilities in the Department's financial records weakening accountability over public funds.
- **GDOE Approved Contractor Payments despite Documented Installation Deficiencies Resulting in $154 Thousand in Questioned Costs**: Quality-control inspections performed by GPA engineering personnel identified numerous installation deficiencies requiring corrective action and included recommendations that a portion of contractor payments be withheld until deficiencies were resolved. Despite these findings, GDOE continued approving contractor payments without documented evidence that identified deficiencies had been corrected and

accepted, reducing assurance that public funds were expended only for satisfactory, contract-compliant work.

- **Improper Asset Tracking:** GDOE has not established fixed asset records or affixed asset tags to the 286 uninstalled units that remain in storage. This limits GDOE's ability to accurately track equipment and demonstrates weaknesses in internal controls over asset management.

These findings demonstrate a failure to effectively administer and enforce the terms of IFB 009-2023. While the procurement was intended to provide fully installed and operational air conditioning systems for Guam's public schools, significant portions of the work remain incomplete years after contract award, including the installation of 286 packaged tonnage units.

The audit further identified instances in which contract costs were improperly modified and additional services were authorized and accepted outside the scope of the executed agreements, absent funding authorization. These actions weakened accountability over the administration of public funds and increased the risk that obligations were incurred without appropriate contractual authority. As a result, GDOE may be exposed to legal liability, financial loss, and administrative and statutory violations. Collectively, the audit identified $3,845,760 in questioned costs and approximately $10.8 million in additional financial impacts associated with these deficiencies.

Without stronger controls over procurement planning, contract administration, payment approval, project oversight, and grant compliance, GDOE remains at risk of questioned costs, avoidable expenditures, increased reliance on local funding sources, and diminished public confidence in its stewardship of public resources.

Prompt corrective action is necessary to determine responsibility for completing installation of the remaining units, place the equipment into service, strengthen contract oversight, and ensure that public funds are utilized in accordance with applicable laws, regulations, grant requirements, and contractual obligations.

To address the deficiencies, we recommend the GDOE Superintendent:

1. Develop and implement a corrective action plan identifying the actions, responsible party, and timeline necessary to install, place into service and utilize the remaining 286 AC units for their intended purpose.
2. Conduct a comprehensive assessment of the remaining uninstalled units to determine their current condition, storage status, warranty implications, and readiness for deployment.
3. Seek legal guidance regarding responsibility for completing installation of the remaining 286 AC units, including an evaluation of the contractor's obligations under the executed agreement and any available contractual remedies to ensure the units are installed and placed into service.
4. Strengthen project planning, contract administration, and procurement oversight processes to ensure future contracts clearly define responsibilities, enforce contractor performance requirements and achieve intended program outcomes.
5. Seek legal guidance regarding the contractor's obligations under the executed agreements and evaluate whether contractual remedies remain available to require completion of installation services.

6. Ensure all changes affecting contract scope, quantities, deliverables, pricing, or performance are executed through formal written contract amendments or change orders in accordance with the terms of contractual agreements and GDOE policy.
7. Discontinue the practice of applying arbitrary percentage increases to contract amounts unless expressly authorized by applicable procurement law, regulation, or contract provisions.
8. Strengthen internal controls to ensure all PO modifications are completed and approved within the authorized grant period of performance.
9. Immediately record all outstanding obligations in Munis to accurately reflect known liabilities.
10. Ensure all future contract modifications, change orders, and additional services are properly authorized before work begins.
11. Ensure direct payments are used for authorized purposes and are not used to bypass required procurement procedures.
12. Establish procedures requiring procurement, finance, and legal review before approving payment for services performed outside an existing contract.
13. Evaluate whether FEMA reimbursement remains available for Typhoon Mawar-related expenditures and take appropriate action to preserve eligible funding.
14. Implement stronger monitoring and accountability measures to prevent vendors from performing unauthorized work outside contract scope.
15. Strengthen contract administration and payment approval controls to ensure satisfactory performance and resolution of performance deficiencies before payments are finalized and that applicable contract provisions are enforced.
16. Complete and reconcile the fixed-asset inventory for all 286 packaged tonnage AC units, including affixing asset tags and establishing complete and accurate records in the Munis system.
17. Ensure consistent compliance with existing federal requirements and GDOE fixed-asset management procedures for the timely identification, recording, reconciliation, and safeguarding of fixed assets, including assets held in storage pending installation.

Management Response and OPA Reply

On August 10, 2026, we provided a draft report to the GDOE Superintendent for her review and official management response. On August 19, 2026, we conducted the Exit Conference with the GDOE Deputy Superintendent of Finance and Administrative Services to discuss the reported findings and recommendations.

GDOE management provided their written management response to the draft report on August 26, 2026, and they "concur with the findings of this draft report. The new GDOE senior management engaged and initiated mitigative measures and corrective actions. Many of the draft audit recommended corrective actions on page 29 have already been initiated and/or completed."

See Appendix 19 for GDOE's management response.

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

We greatly appreciate the cooperation and assistance given to us by the Superintendent and GDOE staff during this audit. This investigative audit was a collaboration with the GDOE Internal Audit Office as a requirement of the Federal Fiscal Year 2024 Specific Conditions. Periodic audits are to be conducted to ensure oversight and accountability of GDOE management of U.S. Department of Education funds.

OFFICE OF PUBLIC ACCOUNTABILITY   GUAM DEPARTMENT OF EDUCATION

Benjamin J.F. Cruz
Public Auditor

Franklin J.T. Cooper-Nurse
Chief Auditor

Classification of Monetary Amounts

Findings Related to Federal Regulations	Questioned Cost	Potential Savings	Other Financial Impact
286 ARP-Funded AC Units Not Timely Place Into Service as Required by Federal Regulations	$ 2,690,974	$ -	$ -
Improper Asset Tracking	$ -	$ -	$ -
Subtotal:	$ 2,690,974	$ -	$ -
Findings Related to Procurement Regulations	Questioned Cost	Potential Savings	Other Financial Impact
Potential Cost Exposure as a Result of Failing to Enforce Installation Requirements	$ -	$ -	$ 9,543,132
Improper Modifications of Firm Fixed-Price Contracts	$ 1,000,485	$ -	$ -
Unauthorized Procurement Activities & Unrecorded Liabilities	$ -	$ -	$ 1,251,392
Payments Made Despite Documented Installation Deficiencies	$ 154,301	$ -	$ -
Subtotal:	$ 1,154,786	$ -	$ 10,794,524
Grand Total:	**$ 3,845,760**	**$ -**	**$ 10,794,524**

Appendix 1:

Objectives, Scope, and Methodology

Objectives:

The objectives of this investigative audit were to determine if the procurement of AC units were

1. In accordance with applicable laws, regulations, board policies, standard operating procedures, and federal grant agreements; and
2. Achieved the intended federal programmatic objectives of the American Rescue Plan by improving air quality and supporting safe in-person learning through the installation and use of AC systems in Guam's public schools.

Scope:

The scope of our audit covered the period from the initiation of the procurement of the AC units to March 2026.

Methodology

- Interview key personnel involved in the procurement, administration, installation, inspection, payment, and oversight of the AC units.
    - Former Facilities & Maintenance Manager
    - Capital Improvement Project Personnel
    - Guam Power Authority Engineer
    - Supply Management Administrator
    - ARP Project Lead
- Review the complete procurement record for IFB 009-2023
- Review executed agreements, purchase orders, subsequent modifications, invoices, payment records, inspection reports, and other relevant supporting documentation.
- Review relevant email communications between GDOE, the vendor, and other parties.
- Conduct site visits, including observations of the air-conditioning units stored at the GDOE Piti Warehouse.
- Analyze relevant financial and procurement data from GDOE's financial management system, Munis.
- Research applicable local laws, federal regulations, Guam Education Board policies, GDOE standard operating procedures, federal grant requirements, and contractual provisions.
- Compare the evidence obtained against applicable criteria to identify noncompliance, control deficiencies, questioned costs, and other matters relevant to the audit objectives.

We conducted this investigative 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 the evidence obtained provides a reasonable basis for our findings and conclusions within the scope of our audit objectives.

Appendix 2:
Prior Audit Coverage

OPA Report No. 08-04, Guam Public School System Procurement of Construction and Air-Conditioning, *Issued June 2008.*

The OPA performance audit concluded that the Guam Public School System's (GPSS) procurement of construction and air-conditioning equipment and services was not conducted in accordance with Guam Procurement Law.

The audit identified systemic procurement deficiencies, including inadequate segregation of duties, excessive and unjustified use of emergency procurement, artificial division of purchase orders to avoid competitive bidding, unsupported contract modifications and indefinite purchase orders, inadequate procurement documentation, and insufficient oversight, resulting in approximately $2.9 million in questioned costs.

OPA recommended strengthening internal controls by automating the procurement process, establishing written policies and procedures to ensure appropriate segregation of duties, maintaining complete procurement records, adopting updated procurement regulations, providing procurement training, continuing periodic internal audits, and increasing oversight by the General Services Agency.

GPSS management and the Chief Procurement Officer generally concurred with the audit findings and recommendations.

Applicable Laws, Rules, and Regulations

2 CFR §200.1 Definitions. Period of performance is the time interval between the start and end date of a federal award, which may include one or more budget periods.

A budget period is the time interval from the start date of a funded portion of an award to the end date of that funded portion, during which award recipients are authorized to incur financial obligations of the funds awarded, including any funds carried forward or other revisions.

2 CFR §200.302(b)(4) Financial Management. Effective control over and accountability for all funds, property and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes.

2 CFR §, (a)(1). Use the equipment for the authorized purposes of the project during the period of performance or until the property is no longer needed for the purposes of the project.

2 CFR §200.313(d) Management requirements. Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or sub-recipient must manage equipment (including replacement equipment) utilizing procedures that meet the following requirements:

(1) Property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and sub-recipient are responsible for maintaining and updating property records when there is a change in the status of the property.

5 GCA §5210(a) Methods of Source Selection. Unless otherwise authorized by law, all Guam contracts shall be awarded by competitive sealed bidding unless a lawful exception applies.

2 GAR §3119(d)(2) Firm Fixed-Price Contract.
A firm fixed-price contract provides a price that is not subject to adjustment because of variations in the contractor’s cost of performing the work specified in the contract. It should be used whenever prices which are fair and reasonable to the territory can be established at the outset. Bases upon which firm fixed prices may be established include:

(A) Adequate price competition for the contract;
(B) Comparison of prices in similar prior procurement in which prices were fair and reasonable;
(C) Establishment of realistic costs of performance by utilizing available cost or pricing data and identifying uncertainties in contract performance;
(D) Use of other adequate means to establish a price.

2 GAR §6101(3)(a)(1) Changes Clause

(1) Change Order. By a written order, at any time, and without notice to surety, the Chief Procurement Officer or the head of a Purchasing Agency may, subject to all appropriate adjustments, make changes within the general scope of this contract in any one or more of the following:

   a. Drawings, designs, or specifications, if the supplies to be furnished are to be specially manufactured for the territory in accordance therewith;
   b. Method of shipment or packing; or
   c. Place of delivery.

(2) Adjustments of Price or Time for Performance. If any such change order increases or decreases the contractor's cost of, or the time required for performance of any part of the work under this contract, whether or not changed by the order, an adjustment shall be made and the contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined in accordance with the Price Adjustment Clause of this contract. Failure of the parties to agree to an adjustment shall not excuse the contractor from proceeding with the contract as changed, provided that the territory promptly and duly make such provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the contractor shall not be deemed to have prejudiced any claim for additional compensation, or an extension of time for completion.

Appendix 4:
Roles and Responsibilities

- ***Capital Improvement Projects (CIP)*** is the primary end-user of the contract, responsible for managing the technical administration of the contract, including the inspection and testing of all materials delivered under the IFB with technical support from Guam Power Authority engineering personnel through an established memorandum of agreement.

- ***The Office of Supply Management (SMO)*** is responsible for handling all procurement activities for GDOE schools and divisions. The role of the SMO is to provide leadership, guidance and enforcement of GDOE procurement policies. The SMO is also the main point of contract for all questions or concerns regarding GDOE's procurement activities.

- ***The Evaluation Committee***, composed of the F&M Manager, CIP Program Coordinator II, and two Building Maintenance Supervisors, are responsible for conducting an independent evaluation of all unpriced technical offers received under the solicitation using the criteria established in the invitation for bid.

- ***GDOE Legal Counsel*** is responsible for reviewing the legality of the procurement file and IFB, preparing required contract documents, and preparing final contractual agreements for execution and signature.

- ***Certifying Officer*** is responsible for verifying that payment requests are accurate, legal, properly documented, and correctly calculated before payment is made. Certifying Officers are liable to reimburse the Government of Guam for any illegal, improper, or incorrect payments resulting from false certifications or payments not authorized by law.

- ***Superintendent of Education*** (Chief Procurement Officer of GDOE), as head of the Department, 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 standard operating procedure.

- ***Third Party Fiduciary Agent (TPFA[2])*** is an independent financial oversight entity responsible for the managing and monitoring GDOE's US. Department of Education grant funds to ensure compliance with federal fiscal, administrative, and reporting requirements as a condition of GDOE's high-risk designation.

- ***ARP Oversight Team*** is responsible for monitoring, coordinating, and overseeing the implementation, expenditure, compliance, and reporting of ARP-funded projects and activities.

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[2] In 2010, USEd's imposed Specific Conditions on GDOE, including the requirement for a third-party fiduciary agent to perform financial management duties for GDOE's USEd grants. This requirement was later removed by USEd in 2023 or fiscal year 2024.

Appendix 5:

Timeline of IFB 009-2023

- March 15, 2023 – GDOE Legal Counsel submitted Form-012 (Notification of Procurement over $500,000) and Form-014 (Declaration of Compliance to 5 GCA §5150) to the Office of the Attorney General (OAG). The OAG acknowledged receipt on the same date.
- April 12, 2023 – GDOE issued IFB 009-2023 "*AC Units Outright Purchase, Install, and Preventive Maintenance*" for GDOE's four school regions.
- April 18, 2023 to May 16, 2023 – GDOE conducted a pre-bid conference, revised the IFB schedule, and released five bid amendments.
- May 19, 2023 – Deadline for bid submissions.
- July 10, 2023 – The Evaluation Committee conducted an evaluation of the submitted technical proposals and rated J&B Modern Tech and Carrier Guam Inc. as the most acceptable bidders and recommended that procurement proceed.
- July 18, 2023 – GDOE conducted the sealed bid opening for IFB 009-2023 and analysis of submitted priced bids.
- August 2, 2023 – GDOE recommended awarding IFB 009-2023 to J&B Modern Tech, whose bid was lower than Carrier Guam Inc.'s bid for all four school regions.
- August 3, 2023 – GDOE issued the Notice of Award for IFB 009-2023, notifying bidders that J&B Modern Tech was the awarded vendor for each of the four regional contracts.
- September 7, 2023 – Superintendent of Education certified completion of the procurement record.
- September 29, 2023 to October 6, 2023 – four separate contracts underwent review and signature by J&B Modern Tech, GDOE Certifying Officer, GDOE's Third Party Fiduciary Agent (Alvarez & Marsal Public Sector Services, LLC), GDOE Legal Office, GDOE Supply Management Administrator, the Superintendent of Education, the Attorney General, and the Governor of Guam.
- October 11, 2023 – GDOE issued four separate purchase orders one for each of the regional contracts awarded under IFB 009-2023. The contracts and corresponding POs totaled $9,980,844.30 for 2,540 AC units awarded to J&B Modern Tech for the outright purchase, installation, and preventive maintenance of mini-split and tonnage units across all four school regions. See Tables 1 through 4 for a breakdown of unit types and quantities awarded through each regional contract.
- September 30, 2025 – GDOE and J&B Modern executed a no-cost extension of the initial term of the regional contracts under IFB 009-2023. The term was extended from September 30, 2025 to February 15, 2026 in order for the contractor to complete installation of mini-split air conditioning units.

Appendix 6:

$9.5 Million Quotation for Unit Conversion, Duct Extension, and Electrical Work

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9786 TAMUNING, GUAM, U.S.A. 96931
TELEPHONE : (671) 646-0566 / 646-3346 / 646-4435
FAX (671) 646-0569

QUOTATION

Q-02376

TO:
GDOE - GUAM DEPARTMENT OF EDUCATION

Date: 4/4/2025
Job:
Delivery:

Attention [redacted]

F.O.B.:
Terms:

We are pleased to quote the following :
Confirming : Yes☐ No |

	Dra. Leah Naholowaa & Mr. Jimmy, per your request for quotation		
	Four (4) Region for package Units for the conversion of split ducted		
	unit into Package unit and to include the air duct extension and its		
	Electrical works in the school included over all the following schools:		
	Region 1		
1	Astumbo Elem. School	$	934,856.80
2	V. Benavente Middle School	$	62,849.30
3	JM Guerrero Elem. School	$	236,038.50
4	DL Perez Elem. School	$	595,713.60
5	UPI Elem. School	$	1,047,518.35
6	Wettengel Elem. School	$	71,929.35
7	Machananao Elem. School	$	219,872.00
	TOTAL - Region #1	$	3,168,777.90
	Region 2		
1	Jose Rios Middle School	$	1,283,596.80
2	Tamuning Elem. School	$	371,910.70
3	CL Taitano Elem. School	$	750,104.10
	TOTAL - Region #2	$	2,405,611.60
	Region 3		
1	Ordot Chalan Pago Elem. School	$	436,659.75
2	Agueda Johnstone Middle School	$	151,726.90
3	George Washington High School	$	58,573.30
4	LP Untalan Middle School	$	68,169.45
	TOTAL - Region #3	$	715,129.40
	Region 4		
1	Inarajan Middle School	$	140,845.50
2	MU Lujan Elem. School	$	230,824.75
3	Marcial Sablan Elem. School	$	507,182.90
4	Oceanview Middle School	$	58,046.65
5	Southern High School	$	2,161,412.25
	Harry S. Truman Elem. School	$	155,301.30
	TOTAL - Region #4	$	3,253,613.35
	NET TOTAL for 4 Regions	$	9,543,132.25

Quote Prepared By : [redacted]

This Quote Valid Until : 2025

TOTAL $ 9,543,132.25
============

Appendix 7:

J&B Modern Tech Storage Fee Invoice

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING GUAM, U.S.A 96931
TELEPHONE : (671) 646 0588 / 646-3346 / 646-4435
FAX (671) 646 0589

GUAM DEPARTMENT OF EDUCATION RECEIVED AUG 15 2025 Karla Tydingco F&M DIVISION

RECEIVED AUG 15 2025 DSAA

COPY

RECEIVED May 27, 2025

GDOE – GUAM DEPARTMENT OF EDUCATION
501 Mariner Avenue
Barrigada, Guam 96913-1608

GUAM DEPARTMENT OF EDUCATION RECEIVED JUL 17 2025 Karla Tydingco F&M DIVISION

TO: **DRA. LEAH BETH NAHOLOWAA**
MR. MORGAN WAKE PAUL
MRS. CARMEN CHARFAUROS
MR. JIMMY PANGELINAN

We hereby submit the following billings:

1. Approved quotation & other Billing Balances See Deleted Amount - PAID	=	$ 389,445.93
2. Warehouse Rental	=	74,953.00
	=	52,695.00
3. Container Storage Charges	=	48,485.00
GRAND TOTAL	=	**$ 565,578.93**

We greatly appreciate your advice and acknowledgement for payment.

Sincerely,

GENE M. BANGAYAN
J&B Modern Tech

03 JUN 2025 RECEIVED DPPS

RECEIVED 10:38am MAY 27 2025 DOE OFFICE OF SUPPLY MANAGEMENT

RECEIVED MAY 27 2025 DSAA 5/27 10:54am

Appendix 8:
Sample Tonnage Unit Transmittal Record

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING, GUAM, U.S.A. 96931
TELEPHONE (671) 646-0588 / [illegible]
FAX (671) [illegible]

TRANSMISSION SHEET

Send To: **GDOE – Guam Dept. of Education**
PITI, Guam

Attention: [redacted]

Subject: Delivery of Big A/C unit

Date: May 12, 2025

CONTENT:
CARRIER BRAND:
Package A/C unit

1. 20-Ton Package A/C unit – PCU – Model#50FC-M24AJA5-0A0A0
   1. Serial#1124P21048
   2. Serial#1124P21051
   3. Serial#1124P21049
   4. Serial#1124P21043
   5. Serial#1124P21046
   6. Serial#1124P21047
   7. Serial#1124P21042
   8. Serial#1124P21044
2. 25-Ton Package A/C unit – PCU – Model#50FC-M28AJA5-0A0A0
   1. Serial#1124P20962
   2. Serial#1124P20961

Thank you.

Very Truly,

[redacted]

5/12/25

J&B Modern Tech

Reply / Acknowledgeme[redacted]

Appendix 8:

Sample Tonnage Unit Transmittal Record

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING, GUAM, U.S.A. 96931
TELEPHONE : (671) 646-0588 / 646-3346 / 646-4435
FAX: (671) 646-0589

TRANSMITTAL

Send To: **GDOE – Guam Dept. of Education**
PITI, Guam

Attention: [redacted]

Subject: Delivery of Big A/C unit
From GMR Warehouse – **Container #TLLU505019245G1**

Date: Oct. 09, 2025

CONTENT:
CARRIER BRAND:
Package A/C unit

A. **15-Ton Package A/C unit**
Model#50FE-M16A2A5067971
1. Serial#3025P06292
2. Serial#3125P06396
3. Serial#3025P06332
4. Serial#3025P06245

GUAM DEPARTMENT OF EDUCATION
RECEIVED
OCT 10 2025
Karle Tydingco
F&M DIVISION

Thank you.

Very Truly,

[redacted]

[redacted] 10-09-2025

J&B Modern Tech

Reply / Acknowledgement:

GDOE Request for Payment 286 Packaged Tonnage Unit Equipment Only

[redacted]

Guam Department of Education
Office of the Deputy Superintendent,
Assessment & Accountability
Telephone: 671 472-0462 Ext. 1352/1257
Email: dsaa-office@gdoe.net

[redacted]

March 4, 2026

MEMORANDUM

TO: **Accounts Payable**

VIA: [redacted]

FROM:

SUBJECT: **Request for Payment - Remaining PKG HVAC Units (Equipment Only)**

Buenas! This memorandum serves as a formal request to process payment for the remaining PKG-type HVAC units delivered by J&B Modern Tech under Purchase Order Nos. 20240002-0003, -0004, and -0005, awarded through IFB 009-2023 for the outright purchase of HVAC units.

All PKG units included in the remaining balance have been fully delivered to GDOE and verified through receipt and delivery documentation. The units are currently stored at the GDOE Piti warehouse pending installation assignments. To ensure the payment reflects equipment-only costs, installation and labor charges were **removed** from the vendor's original submission. The installation deduction was calculated using the established labor rate of $45.00 (technician) plus $13.50 (helper), totaling $58.50 per hour. Estimated installation hours per unit were applied based on tonnage, as provided by Mr. Gene. The installation component was then deducted from the original cost (which included installation) to determine the final outright purchase cost.

Based on this calculation, the final outright purchase total for the 286 PKG units is:

$2,690,974.~~20~~ ~~40~~ 20

The vendor's submitted invoice (Q-02431-S) reflects a total of $2,691,442.40. After reconciliation of installation deductions, the net discrepancy is: **($468.~~20~~)** 00

The breakdown of quantities and tonnage is summarized below:

- 1 unit – 2.5 Ton
- 2 units – 4 Ton
- 185 units – 5 Ton

Appendix 9:

GDOE Request for Payment 286 Packaged Tonnage Units Equipment Only

- 15 units – 7.5 Ton
- 23 units – 10 Ton
- 25 units – 15 Ton
- 33 units – 20 Ton
- 2 units – 25 Ton

  Total Units: 286

The vendor has fulfilled its contractual obligation to supply and deliver the equipment in compliance with purchase order requirements. Payment is therefore recommended in the reconciled amount of **$2,690,974.20** based on verified delivery and acceptance.

As ARP federal funding expires at the end of March, there are approximately three (3) weeks remaining to complete the drawdown process. The required steps include: receiving in Munis, validation by Accounts Payable, fronting the cost with local funds, review, and submission for federal reimbursement. Timely processing is respectfully requested to ensure compliance with funding deadlines.

Please proceed with processing accordingly.

Sinseramente,

[redacted]

GDOE Request for Payment 286 Packaged Tonnage Units Equipment Only

QUOTATION

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING, GUAM, U.S.A. 96931
TELEPHONE: (671) 646-0000 / 646-3316 / 646-4436
FAX: (671) 646-0580

Q-02431

TO: GDOE - GUAM DEPARTMENT OF EDUCATION

Date: 9/16/2025

Job:

Engineer/Architect:

Delivery:

F.O.B.:

Terms:

Attention: Dra. Leah Beth Naholowaa

Confirming: Yes ☐ No ☐

We are pleas[redacted]ING FOR PACKAGE UNITS

1	1	2.5-Ton Package, 220V-1Ph-60Hz		$ 6,367.60	$ 6,367.60
2	2	4-Ton Package, 220V-1Ph-60Hz		$ 7,043.80	$ 14,087.60
3	185	5-Ton Package, 220V-1Ph-60Hz		$ 7,354.60	$ 1,360,601.00
4	15	7.5-Ton Package, 220V-3Ph-60Hz		$ 8,863.45	$ 132,951.75
5	23	10-Ton Package, 220V-3Ph-60Hz		$ 11,219.65	$ 258,051.95
6	25	15-Ton Package, 220V-3Ph-60Hz		$ 15,160.30	$ 379,007.50
7	33	20-Ton Package, 220V-3Ph-60Hz		$ 19,652.20	$ 648,522.60
8	2	25-Ton Package, 220V-3Ph-60Hz		$ 20,855.50	$ 41,711.00
	286	NET AMOUNT			**$ 2,841,301.00**

GUAM DEPARTMENT OF EDUCATION
OFFICE OF DEPUTY SUPERINTENDENT
ASSESSMENT & ACCOUNTABILITY
RECEIVED BY:
DATE: [redacted]

Quote Prepared By [redacted]

This Quote Valid Until: 2025

TOTAL $2,841,301.00

GDOE Request for Payment 286 Packaged Tonnage Units Equipment Only

BILLING FOR PACKAGE UNITS

	QTY	Tonnage	Original cost w/installation	Cost per hour	Est. # of hours to install each unit	Installation Cost	FINAL OUTRIGHT PURCHASE COST
1	1	2.5-TON	5,991.~~50~~ 30 ch	58.50	2	117.00	5,874.~~60~~ 30 ch
2	2	4-TON	6,667.50	58.50	2	234.00	13,101.00
3	185	5-TON	6,978.30	58.50	2	21,645.00	1,269,340.50
4	15	7.5-TON	8,487.15	58.50	3	2,632.50	124,674.75
5	23	10-TON	10,843.35	58.50	3	4,036.50	245,360.55
6	25	15-TON	14,784.00	58.50	4	5,850.00	363,750.00
7	33	20-TON	19,275.90	58.50	4	7,722.00	628,382.70
8	2	25-TON	20,479.20	58.50	4	468.00	40,490.40
	286					42,705.00	2,690,974.~~40~~ .20 ch
						Vendor submission	2,691,442.~~48~~ ch
						Discrepancy	[illegible]

Appendix 10:
PO Modification Form – Increase PO by 10%

Poco 2024-355

URGENT

DEPARTMENT OF EDUCATION
OFFICE OF SUPPLY MANAGEMENT
www.gdoe.net/procurement
501 Mariner Avenue
B-Building, Suite 116
Barrigada, Guam 96913
Telephone: (671) 475-0438/Fax: (671) 472-5001
Email: procurement@gdoe.net

RECEIVED
AUG 08 2024
DOE FINANCIAL AFFAIRS
BUDGET OFFICE

K. ERIK SWANSON, Ph. D.
Superintendent of Education

CARMEN T. CHARFAUROS
Supply Management Administrator

Purchase Order Modification Request Form

Requestor: [redacted] **Date:** 08/07/2024

Division / School: FACILTIES & MAINTENANCE

Phone: (671)300-2471 **Email:** [redacted]

Division Head / Principal / Project Manager: [redacted]
Print Name & Signature (Must have authority on the account)

20240002 — **Purchase Order Number**
[redacted] — **Account Number**

11374 — **Vendor Number**
J&B MODERN TECH — **Vendor Name**

POSTED

Original Ordered Amount: $ 2,712,047.10 **Liquidated: $** 934,778.25 **Open: $** 1,777,268.85

ACTION REQUIRED: (Please Choose)

- ☐ **Close:**
- ☐ **Price Adjustment:**
- ☐ **Amend Line Description:**
- ☑ **Increase:** PURCHASE ORDER BY 10% IN THE AMOUNT OF $271,204.71.
- ☐ **Decrease:**
- ☑ **Other:**
- ☐ **Change Vendor:** **From:** **To:**
- ☐ **Change Account No. *Required Org. Obj. Project:** **From:** **To:**

Remarks: ADD NEW LINE ITEM #12 TO READ "CHANGE ALL NECESSARY SPLIT DUCTED PACKAGE UNITS" LI 12 AMOUNT WILL BE $271,204.71

Revised Ordered Amount: $ 2,983,251.81 **Liquidated: $** 934,778.25 **Open/Cancelled: $** 2,048,473.56

APPROVALS

APPROVED / X/DISAPPROVED / / NOT APPLICABLE / / — [redacted] Authorized signature for program compliance (Print and Signature) — Date 8/7/24

APPROVED / ✓/DISAPPROVED / / — [redacted] Certifying Officer (Print & Signature) — Date 8/8/24

APPROVED ✓/DISAPPROVED / / — [redacted] Supply Management Administrator (Print & Signature) — Date

☐ Attached Form to MUNIS ☐ Reprint PO ☐ Send Revised PO to Vendor

Appendix 11:
GDOE Email Correspondence – Ancillary Services

This specific line item does not specifically indicate installation, repair or maintenance or any job related to that matter. What does this line item cover? What is the purpose of this line?

Please advise for further clarification.

Thank you.

Regards,
[redacted]
Financial Affairs: Business Office
Guam Department of Education
Phone: (671) 475-0238

[Quoted text hidden]

[redacted] Thu, May 8, 2025 at 7:10 PM

[redacted]

[redacted]

The "change all necessary split ducted package units" line item was created to cover ancillary services rendered in direct support of the contracted A/C packaged tonnage installation, including necessary electrical and ductwork preparation required to ensure proper function and compliance during unit replacement at the school site.

[Quoted text hidden]

[redacted] Fri, May 9, 2025 at 7:21 AM
To: [redacted]
Cc [redacted]

Hi [redacted]

Noted.

Moving forward please include detailed description on the line item. For audit purposes.

Thank you,

[Quoted text hidden]
--
[redacted]
Financial Affairs Office
Guam Department of Education
501 Mariner Avenue
Barrigada, Guam 96913
Phone 671-300-1573
Fax 671-472-5009
[Quoted text hidden]

Appendix 12:
Purchase Order Modification Details

KATTAN REGION			
Date	Document	PO/Contract Amount	+/- Adjustment
10/6/2023	Contract	$ 2,712,047.10	
10/11/2023	PO2024002	$ 2,712,047.10	$ -
8/8/2024	PO Modification Form	$ 2,983,251.81	$ 271,204.71
2/20/2025	PO Modification Form	$ 2,996,495.46	$ 13,243.65
6/19/2025	PO Modification Form	$ 3,029,520.06	$ 33,024.60
9/23/2025	PO Modification Form	$ 2,968,441.56	$ (61,078.50)
		Contract net adjustments	**$ 256,394.46**
		Net adjustment past POP 9/30/2024	**$ (14,810.25)**

HAYA REGION			
Date	Document	PO/Contract Amount	+/- Adjustment
10/6/2023	Contract	$ 2,613,303.00	
10/11/2023	PO20240005	$ 2,613,303.00	$ -
8/8/2024	PO Modification Form	$ 2,874,633.30	$ 261,330.30
6/18/2025	PO Modification Form	$ 2,869,680.45	$ (4,952.85)
9/25/2025	PO Modification Form	$ 2,944,697.70	$ 75,017.25
		Contract net adjustments	**$ 331,394.70**
		Net adjustment past POP 9/30/2024	**$ 70,064.40**

LUCHAN REGION			
Date	Document	PO/Contract Amount	+/- Adjustment
10/6/2023	Contract	$ 1,322,097.00	
10/11/2023	PO 20240003	$ 1,322,097.00	$ -
8/8/2024	PO Modification Form	$ 1,454,306.70	$ 132,209.70
2/21/2025	PO Modification Form	$ 1,457,352.75	$ 3,046.05
6/19/2025	PO Modification Form	$ 1,472,136.75	$ 14,784.00
9/25/2025	PO Modification Form	$ 1,499,551.20	$ 27,414.45
		Contract net adjustments	**$ 177,454.20**
		Net adjustment past POP 9/30/2024	**$ 45,244.50**

LAGU REGION			
Date	Document	PO/Contract Amount	+/- Adjustment
10/6/2023	Contract	$ 3,333,397.20	
10/11/2023	PO 20240004	$ 3,333,397.20	$ -
8/8/2024	PO Modification Form	$ 3,333,397.20	$ -
8/8/2024	PO Modification Form	$ 3,666,736.92	$ 333,339.72
2/20/2025	PO Modification Form	$ 3,650,447.22	$ (16,289.70)
6/19/2025	PO Modification Form	$ 3,607,591.47	$ (42,855.75)
9/25/2025	PO Modification Form	$ 3,568,638.57	$ (38,952.90)
		Contract net adjustments	**$ 235,241.37**
		Net adjustment past POP 9/30/2024	**$ (98,098.35)**

Total net adjustments	**$ 1,000,484.73**
Total Net adjustment past POP 9/30/2024	**$ 2,400.30**

Appendix 13:
Excerpt of GPA Engineer AC Quality Control Report

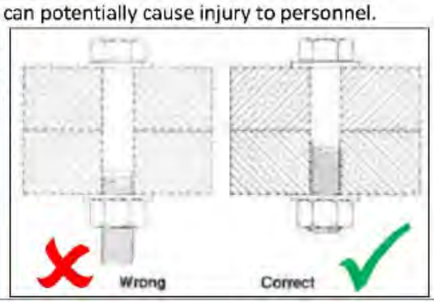
<table>
<tr><td colspan="3">GDOE Project QC Inspection Report</td></tr>
<tr><td>Date: 05/01/2024</td><td>Location: Upi Elementary School</td><td>Sub-location:</td></tr>
<tr><td colspan="3">Conditions: Mostly sunny, slight breeze</td></tr>
<tr><td colspan="3">Observer: [redacted] - GPA Engineering [redacted] - J&B Modern</td></tr>
<tr><td colspan="2">Contract:</td><td>Contractor: J&B Modern</td></tr>
</table>

19 units inspected.

<table>
<tr><th>Item #</th><th>General Issue /Action Required</th></tr>
<tr><td>All</td><td>
<u>New stainless steel tie downs</u>
• Not provided at ALL installations.
<u>Contractor needs to formally submit a plan for compliance.</u>
<u>New Voltage Monitors</u>
• Not provided at ALL installations.
<u>Contractor needs to formally submit a plan for compliance.</u>
<u>Using appropriate fastening hardware</u>
• Use appropriate-sized washers to spread clamping load and avoid pull-thru's from occurring.

• Use lock washers to secure nuts. Nuts can loosen in areas subjected to vibration.

• Select screws of appropriate length. Unsafe – can potentially cause injury to personnel.



</td></tr>
</table>

Doc. No. 38GL-26-2813.*

GDOE Project QC Inspection Report Upi Elementary School 05/01/2024

Item #	Issue Identified	Corrective Action Required
1	Room: A101 1. Installation by-product left behind on site 	1. No action needed. They were removed immediately. For ALL future work: Don't leave items on the site.
2	Room: C102 1. Condensate hose to pipe end does not empty water completely into gutter. Evidence of water emptying onto concrete. 2. Clamps are old and rusty  	1. Adjust the pipe to ensure water drains completely into the gutter. 2. Replace with new clamps
3	Room: C106 1. Water appears to be forming a puddle under condensate pipe p-trap, suggesting a leak exists. 2. Superficial damage to ACCU housing at several places. Additionally, comparing the level-sight POV between C102 and C106 ACCU shows that the C106 fan assembly is depressed inward. Also, there appears to be condensate water dripping along the housing.	1. Fix pipe to remedy leak. 2. Investigate if there are any latent damages that would later on require beyond-normal repair. Report back to GDOE CIP with findings.

Appendix 13:
Excerpt of GPA Engineer AC Quality Control Report

GDOE Project QC Inspection Report   Upi Elementary School   05/01/2024

Item #	Issue Identified	Corrective Action Required
	   	

Email Correspondence Regarding QC Inspections

From: [redacted]
To:
Cc:

Subject: Re: Holding back part of J&B"s AC Contract payments
Date: Friday, March 1, 2024 5:16:24 PM

Agree. Issuing another letter to J&B Modern regarding their duplicate invoice billing and concerns that [redacted]rought to our attention.
[redacted]would have you review before sending. Please see me on Tuesday.

All, have a blessed and good weekend.
Best regards,
[redacted]
Deputy Superintendent of Finance and Administrative Services
Guam Department of Education
501 Mariner Avenue
Barrigada, Guam 96913
Tel: (671) 300-1556

On Fri, Mar 1, 2024 at 3:41 PM [redacted] wrote:

> Agreed. We are going to meet with [redacted] when he comes back from the PI and after the Head Start walkthrough.
>
> On Fri, Mar 1, 2024 at 1:10 PM [redacted] wrote:
>
> > [redacted]n light of [redacted] findings [redacted] matter as soon as possible.
> >
> > On Thu, Feb 29, 2024, 8:07 AM [redacted]wrote:
> >
> > > Hafa adai,
> > >
> > > With QC reports on 15 schools out of 40, and seeing no improvements by J&B, I can only assume that every other school that we will QC will result in the same findings. I have zero confidence that J&B is making any substantial effort in correcting the findings. With no advertised plan from J&B on how they will address these nonconformance I suggest that GDOE hold back portions of contract payments.
> > >
> > > I will try and make an attempt to estimate the cost of the unfinished work that J&B is still obligated to do
> > >
> > > - All installations are using prior existing parts that are old, brittle or rusty
> > >   - Brackets

    - Condensate pipes
    - Clamps
- Most rooftop or overhang installations have
    - Prior units left on the roof
    - Installation by-products and debris left on-site
    - Unsecured conduits
- Interior units have been found with the following
    - Most units do not have penetration sealants
- Exterior ACCU units have been found with the following
    - All units do not have tie-down straps
    - Regarding Voltage Monitors
        - Majority of units do not have Voltage Monitors and associated junction boxes, conduits and wiring
        - Of those that have voltage monitors, they are lacking the following
            - All have settings that are incorrect
            - Some have unsealed holes
            - Most have debris inside the boxes
            - Most have NEC code violations
    - A good number without rubber mounting feet
    - A good number with loose mounting screws
    - Several with no concrete pads mounted to
    - Several mounted to cracked/broken concrete pads
    - Some units have sections where corrosion prevention coating is missing

This listing is just a summary and there are singular anomalies that have not been transferred from the QC reports.

[redacted]

[redacted]

$627,209.33 Direct Payment Request

DEPARTMENT OF EDUCATION
Facilities and Maintenance
Capital Improvements Project
501 Mariner Avenue, Barrigada, Guam 96913
Telephone: (671) 300-1636/1338/2466
jimdpangelinan@gdoe.net

[redacted]
Superintendent of Education

[redacted]
Facilities & Maintenance Manager

RECEIVED

September 16, 2025

MEMORANDUM

To: **Deputy Superintendent, Finance & Administrative Services**

From: **Facilities & Maintenance, Manager**

Subject: **Formal Request for Direct Payment – J & B Modern Tech**

Buenas! I am writing to respectfully request the processing of a direct payment to **J & B Modern Tech** in the amount of **Six Hundred Twenty-Seven Thousand, Two Hundred Nine Dollars and Thirty-Three Cents ($627,209.33)** for air conditioning installation services carried out at multiple school sites.

The installation of these units was undertaken to address the urgent need for adequate cooling in classrooms and learning spaces, ensuring that students and staff are provided with a safe and conducive environment for teaching and learning. These services were prioritized to support school operations and provide immediate relief to both students and faculty, particularly given the high demand for fully functioning cooling systems across campuses.

It is important to note that all of these services were authorized under the contract clause **"On an As-Needed Basis."** The additional scope of work was approved to cover necessary items such as electrical materials, step-down transformers, additional line settings, and wall penetrations required to complete the A/C installations at the affected sites. These measures were essential to ensure full operability of the units and compliance with installation standards.

We respectfully request that this amount be processed as a direct payment to **J & B Modern Tech** at the earliest convenience.

Thank you for your attention to this matter. Your continued support and cooperation are greatly appreciated as we work to maintain safe, functional, and supportive school facilities..

Sinseramente,

[redacted]

Page 2
Formal Request for Direct Payment – J & B Modern Tech

[ ] Approved [ ] Disapproved

[redacted]
Deputy Superintendent of FAS

[ ] Approved [ ] Disapproved

[redacted]

[✓] Approved [ ] Disapproved

[redacted]
Assessment & Accountability

[✓] Approved [ ] Disapproved

[redacted], Superintendent

$523,998.30 Direct Payment Request

DEPARTMENT OF EDUCATION
Facilities and Maintenance
Capital Improvements Project
501 Mariner Avenue, Barrigada, Guam 96913
Telephone: (671) 300-1636/1338/2466
jimdpangelinan@gdoe.net

[redacted]
Superintendent of Education

[redacted]
Facilities & Maintenance Manager

RECEIVED

September 19, 2025

COPY

MEMORANDUM

To: **Deputy Superintendent, Finance & Administrative Services**

From: **Facilities & Maintenance, Manager**

Subject: **Direct Payment Request – J&B Modern Tech (Duct Liner, Sheet Metal, Transformer)**

Buenas! I am writing to respectfully request the processing of a direct payment to **J&B Modern Tech** in the amount of **Five Hundred Twenty-Three Thousand, Nine Hundred Ninety-Eight Dollars and Thirty Cents ($523,998.30).**

This payment reflects the vendor's procurement of **duct liner, sheet metal, and a step-down transformer** to support ongoing HVAC projects under the Department. These materials were ordered at the outset of the contract to ensure timely readiness for the installation of package-tonnage A/C units at various school sites. Given the limited availability of such specialized items on island, J&B Modern Tech proactively secured them in advance to avoid shipping delays and to guarantee that GDOE has the necessary resources in place when installation work proceeds.

Processing this direct payment will allow GDOE to honor its obligations to the vendor, maintain project timelines, and uphold the Department's commitment to ensuring safe and conducive learning environments for both students and staff.

We respectfully request that this amount be processed as a direct payment to **J&B Modern Tech** at the earliest convenience.

Thank you for your attention to this matter. We greatly appreciate your continued cooperation and support in advancing the Department's facility improvement efforts for the benefit of our schools.

Sinseramente,

[redacted]

$523,998.30 Direct Payment Request

Page 2
Formal Request for Direct Payment – J & B Modern Tech

[ ] Approved [ ] Disapproved

[redacted]
Deputy Superintendent of FAS

[ ] Approved [ ] Disapproved

[redacted]
Head Legal Counsel

[✓] Approved [ ] Disapproved

[redacted]
Deputy Superintendent,
Assessment & Accountability

[✓] Approved [ ] Disapproved

[redacted]
Guam Department of Education, Superintendent

$523,998.30 Direct Payment Request

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING, GUAM, U.S.A. 96931
TELEPHONE : (671) 646-0588 / 646-3346 / 646-4435
FAX: (671) 646-0589

QUOTATION

Q-02429

TO: GDOE - GUAM DEPARTMENT OF EDUCATION	Date: 9/12/2025
	Job:
	Engineer/Architect:
	Delivery:
Attention: [redacted]	F.O.B.:
	Terms:

We are pleased to quote the following :

Confirming : Yes☐ No

1	269	Duct Liner - INS-4x100x1-D 1.5LF; Duct Insulation 4x100x1Roll	$ 820.00	$ 220,580.00
2	716	Sheet Metal - EGP-G20x2-48x96: EGP Steel Panel G20-4x8	$ 58.50	$ 41,886.00
3	18	Stepdown Transformer 75KVA - 3Phase-480V-208V-60Hz	$ 8,750.50	$ 157,509.00
4	12	Stepdown Transformer 45KVA - 3Phase-480V-208V-60Hz	$ 6,589.25	$ 79,071.00
		Total		$ 499,046.00
5		GRT - 5%		$ 24,952.30
		NET TOTAL		$ 523,998.30
		NOTE: These Duct Liner, Sheet Metal & Step down Transformer was exclusively ordered for the Packages unit installation.		

Quote Prepared By : [redacted]	This Quote Valid Until : 2025	TOTAL $ 523,998.30

$100,185.20 Direct Payment Request

DEPARTMENT OF EDUCATION
Facilities and Maintenance
Capital Improvements Project
501 Mariner Avenue, Barrigada, Guam 96913
Telephone: (671) 300-1636/1338/2466
jimdpangelinan@gdoe.net

[redacted]
Superintendent of Education

[redacted]
Facilities & Maintenance Manager

RECEIVED 9/22/25
COPY

September 19, 2025

MEMORANDUM

To: **Deputy Superintendent, Finance & Administrative Services**

From: **Facilities & Maintenance, Manager**

Subject: **Formal Request for Direct Payment – J & B Modern Tech (Okkodo HS)**

Buenas! I am writing to respectfully request the processing of a direct payment to **J & B Modern Tech** in the amount of **One Hundred Thousand, One Hundred Eighty-Five Dollars and Twenty Cents ($100,185.20)** for air conditioning installation services provided at Okoodo High School.

The original classroom units were damaged during **Typhoon MARWAR** and the school has been without air conditioning since. This damage was documented by FEMA, and while GDOE was awarded FEMA assistance, the terms require upfront payment from local funds, with reimbursement to follow. Unfortunately, GDOE and GEFF representatives were unable to secure the necessary funding in time to restore classroom cooling.

In response, the Facilities & Maintenance Division moved forward to address this urgent need. F&M procured all necessary electrical materials and provided labor for the electrical connections. Following this work, J & B Modern Tech completed the installation of all A/C units.

This project was prioritized to restore safe and conducive learning conditions for both students and staff, given the high demand for fully functional cooling systems across the campus.

We respectfully request that this amount be processed as a direct payment to **J & B Modern Tech** at the earliest possible time.

Thank you for your attention to this matter and for your continued cooperation and support

Sinseramente,

[redacted]

Page 2
Formal Request for Direct Payment – J & B Modern Tech

[ ] Approved **[ ] Disapproved**

[redacted]
Deputy Superintendent of FAS

[ ] Approved **[ ] Disapproved**

[redacted]
Head Legal Counsel

[✓] Approved **[ ] Disapproved**

[redacted]
Deputy Superintendent,
Assessment & Accountability

[✓] Approved **[ ] Disapproved**

[redacted]
Guam Department of Education, Superintendent

$100,185.20 Direct Payment Request

J&B MODERN TECH
ACR EQUIPMENT AND SUPPLIES
P.O. BOX 9788 TAMUNING GUAM U.S.A. 96931
TELEPHONE (671) 649-0588 / 646-3348 / 646-4415
FAX (671) 646-0589

Invoice

Date	Invoice #
08/27/25	10656

Bill To:

GDOE - GUAM DEPARTMENT OF EDUCATION
Government of Guam
501 Mariner Avenue
Barrigada, Guam 96913-1608

P.O. No.	Terms	Project
	Net 30	0

Quantity	Description	Rate	Amount
	GDOE - Guam Department of Education - OKKODO High School		
31	Performed installation of 31 sets of 30,000 Btu A/C unit at various rooms in OKKODO High School.	$ 3,046.05	$ 94,427.55
1	Unforeseen Materials & Labor (Please see attached)	$ 5,757.65	$ 5,757.65
Thank you for business.		**Total**	**$ 100,185.20**

I certify that this invoice / bill is correct and that payment has not been paid.
Please pay immediately. Thank you.

[redacted]

Appendix 18:
$76,309 Direct Payment Request for Solid Waste Services

DEPARTMENT OF EDUCATION
Facilities and Maintenance
Capital Improvements Project
501 Mariner Avenue, Barrigada, Guam 96913
Telephone: (671) 300-1636/1338/2466
jimdpangelinan@gdoe.net

[redacted]
Superintendent of Education

[redacted]
Facilities & Maintenance Manager

September 24, 2024

MEMORANDUM

To: **Deputy Superintendent of Finance & Administrative Services**

FROM: **Facilities & Maintenance, Manager**

SUBJECT: **Request for Payment – LAGU, LLC**

Buenas! This memo serves as a request for payment to Lagu, LLC for solid waste removal and disposal services rendered in **June 2024**. The invoices were received in **July 2024**, but the IFB was not signed by the Governor until **July 23, 2024**.

In light of this delay, we are requesting immediate direct payment to the vendor to prevent any disruption in services. This will ensure that all GDOE schools can continue to operate smoothly.

Your immediate attention to this matter is greatly appreciated.

Thank you for your prompt response.

Service Month: **June 2024**

GRAND TOTAL: **$76,309.04** *Sinseremente'*

[redacted]

JDP/ymd

[✓] Approved [ ] Disapproved

[redacted]

Deputy Superintendent of Finance & Administrative Services

GL: 110.24.329.023013.24.2600.12.

[✓] Approved [ ] Disapproved

[redacted]

Guam Department of Education Superintendent

Appendix 19:
GDOE's Management Response

DEPARTMENT OF EDUCATION
OFFICE OF THE SUPERINTENDENT

www.gdoe.net
501 Mariner Avenue
Barrigada, Guam 96913
Telephone: (671)472-0462/300-1547•Fax: (671)472-5003
Email: jtwonpat@gdoe.net

JUDITH T. WON PAT, Ed.D.
Superintendent of Education

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

Subject: Draft Report – Investigative Audit on the Guam Department of Education's Procurement of Air Conditioning Units (OPA Report No. 26-09)

Hafa Adai Mr. Benjamin J. F. Cruz:

Although the referenced procurement of GDOE air conditioners (IFB 009-2023) occurred before the current senior management's team employment, **I concur with the findings of this draft audit**.

The new GDOE senior management engaged and initiated mitigative measures and corrective actions. Many of the draft audit recommended corrective actions on page 29 have already been initiated and/or completed.

The GDOE official responsible for implementing the recommendations and timelines for implementation is Franklin Leon Guerrero, Deputy Superintendent of Finance and Administrative Services (DFAS).

Thank you for your audit report and be assured that it will not happen again.

Senseramente,

Judith T. Won Pat, Ed.D.
Superintendent of Education

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Actions Required
1	GDOE Superintendent	Develop and implement a corrective action plan identifying how and when the remaining 286 AC units will be installed, placed into service, and utilized for their intended purpose.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
2	GDOE Superintendent	Conduct a comprehensive assessment of the remaining uninstalled units to determine their current condition, storage status, warranty implications, and readiness for deployment.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
3	GDOE Superintendent	Seek legal guidance regarding responsibility for completing installation of the remaining 286 AC units, including an evaluation of the contractor's obligations under the executed agreement and any available contractual remedies to ensure the units are installed and placed into service.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
4	GDOE Superintendent	Strengthen project planning, contract administration, and procurement oversight processes to ensure future contracts clearly define responsibilities, enforce contractor performance requirements and achieve intended program outcomes.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
5	GDOE Superintendent	Seek legal guidance regarding the contractor's obligations under the executed agreements and evaluate whether contractual remedies remain available to require completion of installation services.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Actions Required
6	GDOE Superintendent	Ensure all changes affecting contract scope, quantities, deliverables, pricing, or performance are executed through formal written contract amendments or change orders in accordance with the terms of contractual agreements and GDOE policy.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
7	GDOE Superintendent	Discontinue the practice of applying arbitrary percentage increases to contract amounts unless expressly authorized by applicable procurement law, regulation, or contract provisions.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
8	GDOE Superintendent	Strengthen internal controls to ensure all PO modifications are completed and approved within the authorized grant period of performance.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
9	GDOE Superintendent	Immediately record all outstanding obligations in Munis to accurately reflect known liabilities.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
10	GDOE Superintendent	Ensure all future contract modifications, change orders, and additional services are properly authorized before work begins.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
11	GDOE Superintendent	Ensure direct payments are used for authorized purposes and are not used to bypass required procurement procedures.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Actions Required
12	GDOE Superintendent	Establish procedures requiring procurement, finance, and legal review before approving payment for services performed outside an existing contract.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
13	GDOE Superintendent	Evaluate whether FEMA reimbursement remains available for Typhoon Mawar-related expenditures and take appropriate action to preserve eligible funding.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
14	GDOE Superintendent	Implement stronger monitoring and accountability measures to prevent vendors from performing unauthorized work outside contract scope.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
15	GDOE Superintendent	Strengthen contract administration and payment approval controls to ensure satisfactory performance and resolution of performance deficiencies before payments are finalized and that applicable contract provisions are enforced.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
16	GDOE Superintendent	Complete and reconcile the fixed-asset inventory for all 286 packaged tonnage AC units, including affixing asset tags and establishing complete and accurate records in the Munis system.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.
17	GDOE Superintendent	Ensure consistent compliance with existing federal requirements and GDOE fixed-asset management procedures for the timely identification, recording, reconciliation, and safeguarding of fixed assets, including assets held in storage pending installation.	OPEN	Provide a corrective action plan with responsible official and timeline of implementation.

GUAM DEPARTMENT OF EDUCATION
PROCUREMENT OF AIR CONDITIONING UNITS
Report No. 26-09, August 2026

ACKNOWLEDGEMENTS

Key contributions to this report were made by:
GDOE Internal Audit Office
Jesse B. Espinal, Management Analyst III
Tiara L. Cunningham, Auditor III
Franklin J.T. Cooper-Nurse, MBA, CGFM, CICA, Chief Auditor

Office of Public Accountability
Thomas Quichocho, Accountability Auditor I
Selina Onedera-Salas, CGFM, Accountability Auditor II
Maryann Manglona, CPA, CFE, Accountability Auditor III
Vincent Duenas, Supervising Accountability Auditor
Benjamin J.F. Cruz, Public Auditor

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 671 47AUDIT (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.

Office of Public Accountability
Email: admin@guamopa.com
Tel: 671.475.0390
Fax: 671.472.7951
Hotline: 47AUDIT (472.8348)