

**UNIVERSITY OF GUAM
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2014

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Regents
University of Guam:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Guam (the University) and its discretely presented component unit as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

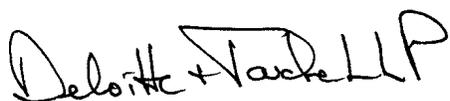
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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March 19, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

The Board of Regents
University of Guam:

Report on Compliance for Each Major Federal Program

We have audited the University of Guam's (the University's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2014. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

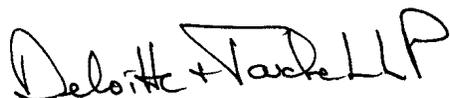
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University of Guam and its discretely presented component unit as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated March 19, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

March 19, 2015

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2014

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 4,294,275
U.S. Department of Commerce	943,440
U.S. Department of Defense	1,480,209
U.S. Department of the Interior	2,078,082
U.S. Department of Justice	41,647
National Endowment for the Humanities	16,055
National Science Foundation	302,882
Small Business Administration	774,973
U.S. Department of Energy	(3,286)
U.S. Department of Education	19,622,178
U.S. Department of Health and Human Services	3,500,032
Corporation for National and Community Service	<u>103,290</u>
Grand Total	<u>\$ 33,153,777</u>
Reconciliation to the basic financial statements:	
Operating revenues - Federal grants and contracts	\$ 33,777,318
Capital contributions	718,910
Indirect cost allocation in operating expenses	(1,229,270)
Program income in operating expenses	<u>(113,181)</u>
	<u>\$ 33,153,777</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
Direct from U.S. Department of Agriculture:			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 435,302	\$ 435,302
10.200	Grants for Agricultural Research, Special Research Grants	5,823	-
10.202	Cooperative Forestry Research	42,544	42,544
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	1,189,620	1,189,620
10.308	Resident Instruction Grants for Insular Area Activities	66,523	-
10.310	Agriculture and Food Research Initiative (AFRI)	38,451	38,451
10.500	Cooperative Extension Service	991,692	-
10.652	Forestry Research	118,477	118,477
10.675	Urban and Community Forestry Program	833	833
10.678	Forest Stewardship Program	86,625	86,625
10.680	Forest Health Protection	90,461	90,461
10.680	Forest Health Protection	18,975	-
10.912	Environmental Quality Incentives Program	108,228	108,228
10.912	Environmental Quality Incentives Program	2,297	-
	Subtotal Direct Programs	3,195,851	2,110,541
Pass-through from Government of Guam Department of Agriculture:			
10.170	Specialty Crop Block Grant Program - Farm Bill	245,818	245,818
Pass-through from Center for Tropical and Subtropical Agriculture:			
10.200	Grants for Agricultural Research, Special Research Grants	12,372	12,372
Pass-through from Utah State University:			
10.215	Sustainable Agriculture Research and Education	3,664	-
Pass-through from University of California Davis:			
10.304	Homeland Security_Agricultural	7,988	7,988
Pass-through from University of Puerto Rico:			
10.308	Resident Instruction Grants for Insular Area Activities	90,396	-
Pass-through from University of Virgin Islands:			
10.308	Resident Instruction Grants for Insular Area Activities	12,559	-
10.322	Distance Education Grants for Institutions of Higher Education in Insular /	78,384	-
Pass-through from University of Hawaii:			
10.310	Agriculture and Food Research Initiative (AFRI)	611,574	-
Pass-through from University of Wyoming:			
10.500	Cooperative Extension Service	10,601	-
Pass-through from Kansas State University:			
10.500	Cooperative Extension Service	25,068	-
	Subtotal Pass-Through Programs	1,098,424	266,178
	U.S. Department of Agriculture Total	\$ 4,294,275	\$ 2,376,719

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
Direct from U.S. Department of Commerce:			
11.307	Economic Adjustment Assistance	\$ 83,215	\$ -
11.417	Sea Grant Support	109,085	109,085
11.417	Sea Grant Support	124,939	-
11.426	Financial Assistance for National Centers for Coastal Ocean Science	98,634	98,634
11.452	Unallied Industry Projects	13,370	13,370
11.452	Unallied Industry Projects	26,512	-
11.463	Habitat Conservation	53,507	53,507
11.482	Coral Reef Conservation Program	<u>56,455</u>	<u>56,455</u>
	Subtotal Direct Programs	565,717	331,051
Pass-through from University of Hawaii at Manoa:			
11.417	Sea Grant Support	49,624	49,624
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Ir	18,287	18,287
Pass-through from Government of Guam Bureau of Statistics and Planning:			
11.419	Coastal Zone Management Administration Awards	3,133	3,133
11.419	Coastal Zone Management Administration Awards	33,960	-
11.482	Coral Reef Conservation Program	222,929	222,929
Pass-through from National Oceanic & Atmospheric Administration:			
11.482	Coral Reef Conservation Program	<u>49,790</u>	<u>49,790</u>
	Subtotal Pass-Through Programs	<u>377,723</u>	<u>343,763</u>
	U.S. Department of Commerce Total	<u>\$ 943,440</u>	<u>\$ 674,814</u>
Direct from the U.S. Department of Defense:			
12.002	Procurement Technical Assistance For Business Firms	\$ 283,989	\$ -
12.116	Department of Defense Appropriation Act of 2003	88,477	88,477
12.300	Basic and Applied Scientific Research	545,334	545,334
12.335	Navy Command, Control, Communications, Computers, Intelligence Surveillance, and Reconnaissance	<u>373,448</u>	<u>373,448</u>
	Subtotal Direct Programs	1,291,248	1,007,259
Pass-through from Office of the Governor of Guam Office of Economic Adjustment:			
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Insta	<u>188,961</u>	<u>-</u>
	Subtotal Pass-Through Programs	<u>188,961</u>	<u>-</u>
	U.S. Department of Defense Total	<u>\$ 1,480,209</u>	<u>\$ 1,007,259</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
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Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
Direct from U.S. Department of the Interior:			
15.657	Endangered Species Conservation Recovery Implementation Funds	\$ 870	\$ 870
15.805	Assistance to State Water Resources Research Institutes	198,923	198,923
15.875	Economic, Social, and Political Development of the Territories	954,178	-
15.945	Cooperative Research and Training Programs Resources of the National Park System	<u>79,169</u>	<u>79,169</u>
	Subtotal Direct Programs	1,233,140	278,962
Pass-through from Government of Guam Bureau of Statistics and Planning:			
15.808	U.S. Geological Survey_ Research and Data Collection	23,731	23,731
15.875	Economic, Social, and Political Development of the Territories	8,910	8,910
Pass-through from the Research Corporation of the University of Hawaii:			
15.820	National Climate Change and Wildlife Science Center	93,391	93,391
Pass-through from Government of Guam Department of Administration:			
15.875	Economic, Social, and Political Development of the Territories	<u>718,910</u>	<u>-</u>
	Subtotal Pass-Through Programs	<u>844,942</u>	<u>126,032</u>
	U.S. Department of the Interior Total	<u>\$ 2,078,082</u>	<u>\$ 404,994</u>
Direct from the U.S. Department of Justice:			
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	<u>\$ 41,647</u>	<u>\$ -</u>
	U.S. Department of Justice Total	<u>\$ 41,647</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
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Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
	Direct from National Endowment for the Humanities:		
45.312	National Leadership Grants	\$ 16,055	\$ -
	National Endowment for the Humanities Total	<u>\$ 16,055</u>	<u>\$ -</u>
	Direct from National Science Foundation:		
47.050	Geosciences	\$ 22,320	\$ 22,320
47.074	Biological Sciences	174,771	174,771
47.080	Office of Cyberinfrastructure	<u>55,674</u>	<u>55,674</u>
	Subtotal Direct Programs	252,765	252,765
	Pass-through from American University:		
47.050	Geosciences	22,815	22,815
	Pass-through from University of New Hampshire:		
47.074	Biological Sciences	19,238	19,238
	Pass-through from University of Hawaii:		
47.076	Education and Human Resources	<u>8,064</u>	<u>8,064</u>
	Subtotal Pass-Through Programs	<u>50,117</u>	<u>50,117</u>
	National Science Foundation Total	<u>\$ 302,882</u>	<u>\$ 302,882</u>
	Direct from Small Business Administration:		
59.037	Small Business Development Centers	\$ 617,892	\$ -
59.044	Veterans Business Development	<u>157,081</u>	<u>-</u>
	Small Business Administration Total	<u>\$ 774,973</u>	<u>\$ -</u>
	U.S. Department of Energy:		
	Pass-through from Guam Energy Office:		
81.041	State Energy Program	<u>\$ (3,286)</u>	<u>\$ -</u>
	U.S. Department of Energy Total	<u>\$ (3,286)</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
Direct from U.S. Department of Education:			
84.003	Bilingual Education	\$ 43,556	\$ -
Student Financial Aid Cluster:			
84.007	Federal Supplemental Educational Opportunity Grants	104,600	-
84.033	Federal Work-Study Program	488,411	-
84.063	Federal Pell Grant Program	8,274,023	-
84.268	Federal Direct Student Loans	8,664,970	-
84.379	Teacher Education Assistance for College and Higher Education Grants	110,820	-
	Student Financial Aid Cluster Subtotal	17,642,824	-
TRIO Cluster:			
84.042	TRIO_Student Support Services	266,656	-
84.044	TRIO_Talent Search	323,480	-
84.047	TRIO_Upward Bound	378,810	-
	TRIO Cluster Subtotal	968,946	-
84.031	Higher Education_Institutional Aid	288,722	-
84.224	Assistive Technology	178,825	-
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	221,838	-
	Subtotal Direct Programs	19,344,711	-
Pass-through from Guam Department of Education:			
84.215	Fund for the Improvement of Education	57	57
84.229	Language Resource Centers	11,940	-
84.336	Teacher Quality Partnership Grants	20,369	-
84.397	State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	8,088	-
84.402	Consolidated Grants to the Outlying Areas, Recovery Act	7,780	-
84.403	Consolidated Grant to the Outlying Areas	229,233	-
	Subtotal Pass-Through Programs	277,467	57
	U.S. Department of Education Total	\$ 19,622,178	\$ 57

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
Direct from U.S. Department of Health and Human Services:			
93.110	Maternal and Child Health Federal Consolidated Programs	\$ 142,305	\$ -
93.251	Universal Newborn Hearing Screening	187,316	-
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	131,205	-
93.397	Cancer Centers Support Grants	1,054,176	1,054,176
93.587	Promote the Survival and Continuing Vitality of Native American Languag	196,024	-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	546,782	-
93.824	Area Health Education Centers Infrastructure Development Awards	<u>499,589</u>	<u>-</u>
	Subtotal Direct Programs	2,757,397	1,054,176
Pass-through from Government of Guam Department of Public Health and Social Services:			
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	15,156	-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	346,976	-
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	23,588	-
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	231,223	-
Pass-through from University of Hawaii MCH Lend Program:			
93.110	Maternal and Child Health Federal Consolidated Programs	39,600	39,600
Pass-through from the Research Corps of the University of Hawaii:			
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	<u>86,092</u>	<u>86,092</u>
	Subtotal Pass-Through Programs	<u>742,635</u>	<u>125,692</u>
	U.S. Department of Health and Human Services Total	<u>\$ 3,500,032</u>	<u>\$ 1,179,868</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2014

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Research and Development Cluster
	Corporation for National and Community Service:		
	Pass-through from Government of Guam Department of Labor:		
94.006	AmeriCorps	\$ <u>103,290</u>	\$ <u>-</u>
	Corporation for National and Community Service Total	\$ <u><u>103,290</u></u>	\$ <u><u>-</u></u>
	Grand Total	\$ <u><u>33,153,777</u></u>	\$ <u><u>5,946,593</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

(1) Scope of Audit

The University of Guam (the University) is a component unit of the Government of Guam created by Public Law 13-194, "The Higher Education Act," which became effective on November 3, 1976, as an autonomous agency of the Government of Guam. Only the financial statements of the University are included within the scope of the OMB Circular A-133 audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of the Interior
- U.S. Department of Justice
- National Endowment for the Humanities
- National Science Foundation
- Small Business Administration
- U.S. Department of Energy
- U.S. Department of Education
- U.S. Department of Health and Human Services
- Corporation for National and Community Service

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University and is presented on the accrual basis of accounting, consistent with the manner in which the University maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures.

The University recognizes contributions from the federal government when qualifying expenditures are incurred, and expenditures are recognized on the accrual basis of accounting.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major federal programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.500	Research and Development Cluster Cooperative Extension Services Student Financial Assistance Cluster
84.325	Special Education – Personnel Development to Improve Services and Results for Children with Disabilities

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$994,613 |
| 11. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Cost</u>
2014-001	R&D Cluster	Matching, Level of Effort, Earmarking	\$ -

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2014

Finding No.: 2014-001
Federal Agency: U.S. Department of Commerce
CFDA Program: Research and Development (R&D) Cluster
Grant Number: NA14OAR4170116
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$0

Criteria: Pursuant to grant terms and conditions, the grantee is required to maintain a level of local matching support for the grant below:

CFDA	Account Number	Required Local Match
11.417	63-2F-203003-R-5	\$ 34,936

Condition: For one of five R&D grants tested, a determination of matching requirement is not evident. A proposed budget identifying local matching prepared at the start of the grant was not originally provided. However, subsequent to our request, matching documentation was provided.

Cause: The cause of the above condition is the lack of established policies and procedures to periodically assess compliance with the matching requirements.

Effect: The effect of the above condition is potential noncompliance with matching requirements. No questioned costs are reported since matching documentation was provided on February 13, 2015.

Recommendation: We recommend that the University establish procedures to determine that matching requirements are complied with as program expenditures are incurred and documented at the end of the fiscal year.

Auditee Response and Corrective Action Plan: We concur. We will ensure that matching requirements will be prepared and included in the semi-annual and final SF425.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2014

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2014:

Questioned costs as previously reported at September 30, 2013	\$ 23,666
Less: Questioned costs resolved	<u>(4,774)</u>
Unresolved questioned costs at September 30, 2014 (Finding No. 2013-005)	\$ <u>18,982</u>

Summary Schedule of Prior Audit Findings

Findings relating to the financial statements, which are required to be reported in accordance with GAGAS:

None reported.

Findings and questioned costs – Major Federal Award Programs Audit

Finding No.	Cluster/CFDA No.	Requirement	Status at 09/30/2014
2013-001	SFA Cluster	Special Test and Provisions	Finding and questioned costs resolved as per federal grantor agency final audit determination audit control number (ACN) 09-2013-43049 dated September 26, 2014.
2013-002	R&D Cluster	Allowable Cost/Cost Principles	Corrective action was taken. A time and effort standard template which includes the required attributes has been implemented and was communicated through a workshop of timekeepers held on June 19, 2014.
2012-2 & 2013-003	84.397 & R&D Cluster	Equipment and Real Property Management	Corrective action was taken. A complete physical count and reconciliation was performed during FY2014 with a help of independent consultants engaged by UOG.
2013-004	R&D Cluster	Matching, Level of Effort and Earmarking	Corrective action was taken. Salary allocation was corrected through journal entry J046980 posted on January 10, 2014.
2013-005	R&D Cluster	Procurement and Suspension and Debarment	Corrective action was taken. UOG has implemented revised sole source procedures in FY2014 and documentation of contractor selection is filed in the University records.