

GUAM COMMUNITY COLLEGE

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

SEPTEMBER 30, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Guam Community College:

We have audited the financial statements of the Guam Community College, a component unit of the Government of Guam, as of and for the year ended September 30, 2001, and have issued our report thereon dated July 31, 2002. We conducted our audit in accordance with 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.

Compliance

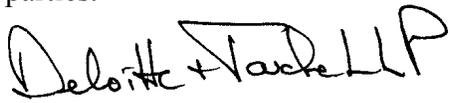
As part of obtaining reasonable assurance about whether Guam Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Guam Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Guam Community College's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 01-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Trustees and management of the Guam Community College, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, slightly stylized font. The word "Deloitte" is on the left, followed by a plus sign, and "Touche LLP" is on the right. The "T" in "Touche" is particularly large and loops back.

July 31, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR FEDERAL AWARD PROGRAM**

Board of Trustees
Guam Community College:

Compliance

We have audited the compliance of the Guam Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2001. Guam Community College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 6 through 10). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Guam Community College's management. Our responsibility is to express an opinion on Guam Community College's compliance based on our audit.

We conducted our audit in accordance with 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; 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 Guam Community College'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. Our audit does not provide a legal determination on Guam Community College's compliance with those requirements.

In our opinion, the Guam Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

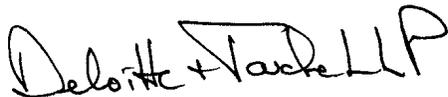
The management of Guam Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Guam Community College's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Community College, as of and for the year ended September 30, 2001, and have issued our report thereon dated July 31, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the Guam Community College. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Trustees and management of the Guam Community College, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

July 31, 2002

GUAM COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 2000	Expenditures	Cash Receipts	Adjustment	Accrued (Deferred) Balance at September 30, 2001
U.S. Department of Education (DOE) (Direct Programs):						
84.002A	Adult Education - State Administration Basic Grant Program	\$ 47,197	\$ 350,738 *	(360,375) \$	1,599 ***	\$ 39,159
84.007	Federal Supplemental Education Opportunity Grants	(1,155)	22,730 *	(22,730)	-	(1,155)
84.031A	Title III-Strengthening Institution Program	1,366	-	-	-	1,366
84.033	Federal Work-Study Program	10,843	84,131 *	(75,988)	(1) ***	18,985
84.042A	Student Support Services	12,610	220,872	(209,356)	(1,000) ***	23,126
84.048A	Vocational Education - Basic Grants to States	49,053	550,518	(470,127)	(10,897) ***	118,547
84.063	Federal Pell Grant Program	10,374	1,444,295 *	(1,422,388)	(10,735) ***	21,546
84.346	Career Resource Network State Grant	-	86,074	(73,426)	(1) ***	12,647
	Total U.S. Department of Education (Direct Programs)	<u>130,288</u>	<u>2,759,358</u>	<u>(2,634,390)</u>	<u>(21,035)</u>	<u>234,221</u>
Pass-through from:						
94.088/GEN-73	University of Guam	(45,549)	-	-	-	(45,549)
84.	Government of Guam Department of Education Federal Programs	305,340	404,003 *	(356,815)	-	352,528 **
83.544	Federal Emergency Management Agency:					
	Public Assistance Grants	57,323	-	-	-	57,323
20.600	Department of Public Works:					
	EMS Training Course '00	9,555	19,816	(9,555)	-	19,816 **
	Total Pass-through grants	<u>326,669</u>	<u>423,819</u>	<u>(366,370)</u>	<u>-</u>	<u>384,118</u>
	Total Federal Assistance	<u>\$ 456,957</u>	<u>\$ 3,183,177</u>	<u>\$ (3,000,760)</u>	<u>\$ (21,035)</u>	<u>\$ 618,339</u>

* Denotes a major program as defined by OMB Circular A-133.

** Recorded in restricted-other receivables in the financial statements.

*** The adjustments are to correct the overrecording of federal expenditures.

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were not identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The College's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Education - Student Financial Aid	84.007 84.033 84.063
U.S. Department of Education - Adult Education	84.002A
U.S. Department of Education – Federal Programs	84.

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The College qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
01-01	Recording	\$ -

Part III - Federal Award Findings and Questioned Cost Section

No matters are reportable.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
01-01	N/A	In accordance with accounting principles generally accepted in the United States of America, expenses should be recorded in the period incurred.	\$ -

Condition:

In 2 (3%) out of 76 expenditures tested, the services/purchases were received and invoiced prior to October 1, 2000 but recorded as FY2001 expenditures.

<u>P.O.#s</u>	<u>Amount</u>
MM0022	\$ 38,005
MM0876	<u>55,306</u>
	\$ <u>93,311</u>

Cause:

The condition was caused by the delay in processing of the documents.

Effect:

The condition causes the expenditure account to be overstated.

Recommendation:

We recommend that documents be properly submitted to the accounting department in a timely manner to ensure recordation in the proper period.

Auditee Response dated September 19, 2003:

To determine the appropriate fiscal year for posting, Guam Community College reviews all invoices for thirty days after the close of the fiscal year. The invoices in question were received after that time. The amount in question is immaterial. However, the College will review all invoices over \$25,000 for an additional two weeks. In addition the College will write to the companies in question requesting prompt invoicing.

GUAM COMMUNITY COLLEGE

Resolution of Prior Years' Findings and Questioned Costs
Year Ended September 30, 2001

The status of unresolved questioned costs from prior year Single Audit Reports is as follows:

Questioned Costs per the September 30, 2000, 1999, 1998 and 1997 audit reports	\$ 53,424
Questioned Costs per the September 30, 2001 audit report	<u> -</u>
Total unresolved questioned costs as of September 30, 2001	\$ <u>53,424</u>

GUAM COMMUNITY COLLEGE

Schedule of Programs Selected for Audit in Accordance with OMB Circular A-133 Year Ended September 30, 2001

The following list specifies programs selected for compliance testing in accordance with applicable OMB Circular A-133 requirements.

Fiscal Year 2001

<u>CFDA Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
84.007	Federal Supplemental Education Opportunity Grants	\$ 22,730
84.033	Federal Work - Study Program	84,131
84.063	Federal Pell Grant Program	1,444,295
84.002A	Adult Education – State Administration Basic Grant Program	350,738
84.	Department of Education Federal Programs	<u>404,003</u>
	Total federal award expenditures tested	\$ <u>2,305,897</u>
	Total federal award expenditures	\$ <u>3,183,177</u>
	Percentage of total tested	72%

GUAM COMMUNITY COLLEGE

Reconciliation of Total Restricted Expenditures with Total Federal Award Expenditures
Year Ended September 30, 2001

Total expenditures per Schedule of Federal Awards	\$ 3,183,177
Other non-federal restricted fund expenditures and transfers	<u>1,420,289</u>
Total restricted fund expenditures	\$ <u>4,603,466</u>