

UNIVERSITY OF GUAM

**INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

YEAR ENDED SEPTEMBER 30, 2005

UNIVERSITY OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2005
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Regents
University of Guam:

We have audited the financial statements of the University of Guam (the University), as of September 30, 2005, and for the year then ended, and have issued our report thereon dated June 9, 2006. 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.

Internal Control Over Financial Reporting

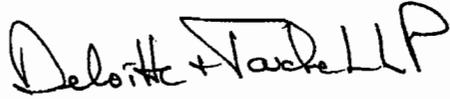
In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the University in a separate letter dated June 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

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

June 9, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Regents
University of Guam:

Compliance

We have audited the compliance of the University of Guam (the University) 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 each of its major federal programs for the year ended September 30, 2005. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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. Our audit does not provide a legal determination on the University's compliance with those requirements.

As described in item 2005-01 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with requirements regarding eligibility that are applicable to major program CFDA No. 84.032 Federal Family Education Loan of the Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the University 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 the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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.

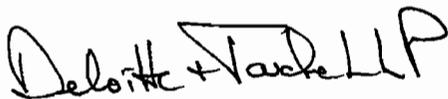
We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition we noted is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-01.

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 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. Our consideration of the internal control over compliance 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 that the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended September 30, 2005, and have issued our report thereon dated June 9, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary 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. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.



June 9, 2006

UNIVERSITY OF GUAM

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2005

<u>Federal Grantor Agency</u>	Accrued (Deferred) Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
U.S. Department of Agriculture	\$ 338,087	\$ 2,963,532	\$ 2,954,077	\$ 347,542
U.S. Department of Commerce	113,083	327,199	495,230	(54,948)
U.S. Department of the Interior	(81,674)	768,990	451,106	236,210
National Science Foundation	46,412	175,567	142,623	79,356
Small Business Administration	107,716	533,401	588,877	52,240
U.S. Environmental Protection Agency	53,217	18,951	72,001	167
U.S. Department of Education	(718,449)	13,685,355	13,456,895	(489,989)
U.S. Department of Health and Human Services	415,709	3,898,998	3,822,793	491,914
	<u>\$ 274,101</u>	<u>\$ 22,371,993</u>	<u>\$ 21,983,602</u>	<u>\$ 662,492</u>
Reconciliation to financial statements:				
Accounts receivable - U.S. Government				\$ 1,208,342
Deferred Revenue				(596,967)
Other local contracts				<u>51,117</u>
Balance per Schedule of Expenditures of Federal Awards				<u>\$ 662,492</u>

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	Direct from U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 20,190	\$ 47,563	\$ 40,000	\$ 27,753
10.200	Grants for Agricultural Research, Special Research Grants	13,275	710,296	669,880	53,691
10.202	Cooperative Forestry Research	24,833	27,645	39,100	13,378
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	89,985	879,436	870,935	98,486
10.206	Grants for Agricultural Research: Competitive Research Grants	(1,983)	36,517	34,300	234
10.220	Higher Education Multicultural Scholars Program	2,298	12,586	9,200	5,684
10.303	Integrated Programs	7,984	103,636	98,858	12,762
10.500	Cooperative Extension Service	96,660	1,036,555	1,091,807	41,408
10.652	Forest Services	-	5,040	-	5,040
10.769	Rural Business Enterprise Grants	1,659	24,864	2,546	23,977
10.855	Distance Learning and Telemedicine Loans and Grants	28,926	20,958	49,884	-
10.912	Environmental Quality Incentives Program	(1,125)	-	-	(1,125)
	Pass-through from:				
	University of Hawaii at Manoa:				
10.200	Grants for Agricultural Research, Special Research Grants	<u>55,385</u>	<u>58,436</u>	<u>47,567</u>	<u>66,254</u>
	U.S. Department of Agriculture Total	<u>\$ 338,087</u>	<u>\$ 2,963,532</u>	<u>\$ 2,954,077</u>	<u>\$ 347,542</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
Direct from U.S. Department of Commerce:					
11.417	Sea Grant Support	\$ 136,449	\$ 47,165	\$ 188,398	\$ (4,784)
11.463	Habitat Conservation	21,285	46,615	51,535	16,365
11.478	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	13,844	137,107	145,183	5,768
Pass-through from:					
11.419	Government of Guam Bureau of Statistic and Planning Coastal Zone Management Administration Awards	91,021	65,473	102,160	54,334
11.426	Financial Assistance for National Centers for Coastal Ocean Science	<u>(149,516)</u>	<u>30,839</u>	<u>7,954</u>	<u>(126,631)</u>
	U.S. Department of Commerce Total	\$ <u>113,083</u>	\$ <u>327,199</u>	\$ <u>495,230</u>	\$ <u>(54,948)</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
Direct from U.S. Department of the Interior:					
15.805	Assistance to State Water Resources Research Institutes	\$ 98,666	\$ 321,750	\$ 244,673	\$ 175,743
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	5,557	160,052	126,433	39,176
Pass-through from:					
Government of Guam Department of Agriculture:					
15.608	Fish and Wildlife Management Assistance	(160,820)	146,499	80,000	(94,321)
15.614	Coastal Wetlands Planning, Protection and Restoration Act	(22,484)	22,484	-	-
Pass-through from:					
Government of Guam Bureau of Statistic and Planning:					
15.225	Recreation Resource Management	(1,862)	-	-	(1,862)
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	-	118,205	-	118,205
Pass-through from:					
Government of Guam War Claims:					
15.904	Historic Preservation Fund Grants-in-Aid	(731)	-	-	(731)
	U.S. Department of the Interior Total	\$ (81,674)	\$ 768,990	\$ 451,106	\$ 236,210

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
Direct from National Science Foundation:					
47.050	Geosciences	\$ 5,233	\$ 29,144	\$ 19,812	\$ 14,565
47.074	Biological Sciences	20,708	114,556 *	111,357	23,907
47.076	Education and Human Resources	<u>20,471</u>	<u>31,867</u>	<u>11,454</u>	<u>40,884</u>
	National Science Foundation Total	\$ <u>46,412</u>	\$ <u>175,567</u>	\$ <u>142,623</u>	\$ <u>79,356</u>

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

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
Direct from Small Business Administration:					
59.037	Small Business Development Center	\$ 107,716	\$ 533,401	\$ 588,877	\$ 52,240
	Small Business Administration Total	\$ 107,716	\$ 533,401	\$ 588,877	\$ 52,240

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

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Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	Direct from U.S. Environmental Protection Agency:				
66.500	Environmental Protection: Consolidated Research	\$ 57,330	\$ 14,671	\$ 72,001	\$ -
66.951	Environmental Education Grants	(4,113)	-	-	(4,113)
	Pass-through from:				
	Government of Guam Bureau of Statistic and Planning:				
66.454	Water Quality Management Planning	-	4,280	-	4,280
	U.S. Environmental Protection Agency Total	\$ 53,217	\$ 18,951	\$ 72,001	\$ 167

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	Direct from U.S. Department of Education:				
84.007	Federal Supplemental Educational Opportunity Grant:	\$ 2,700	\$ 177,550	\$ 171,038	\$ 9,212
84.032	Federal Family Education Loans:	(73,141)	4,687,246	4,735,649	(121,544)
84.033	Federal Work-Study Program	46,993	421,709	374,076	94,626
84.042	TRIO: Student Support Services	21,898	250,284	252,028	20,154
84.044	TRIO: Talent Search	38,290	320,444	327,889	30,845
84.047	TRIO: Upward Bound	51,557	422,212	433,450	40,319
84.063	Federal Pell Grant Program:	100,835	4,289,460	4,113,083	277,212
84.120	Minority Science and Engineering Improvement Project:	-	185,124	160,978	24,146
84.195	Bilingual Education: Professional Developmen	60,618	345,182	339,377	66,423
84.224	Assistive Technology	(356,941)	158,479	204,677	(403,139)
84.235	Rehabilitation Services Demonstration and Training Program:	(745,235)	27,578	151,029	(868,686)
84.268	Federal Direct Student Loans	183,753	901,698	1,071,785	13,666
84.288	Bilingual Education Program Development and Implementation Grant	2,088	820	2,908	-
84.325	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	12,768	106,441	115,187	4,022
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities:	35,120	18,663	53,783	-
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	74,555	713,861	729,976	58,440
	Pass-through from:				
84.027	Guam Department of Education and Federated States of Micronesia Special Education - Grants to States	(88,974)	168,035	16,903	62,158
	Pass-through from:				
84.181	Government of Guam Department of Education Special Education - Grants for Infants and Families with Disabilities:	(14,474)	63,237	11,761	37,002
84.349	Early Childhood Educator Professional Developmen	5,866	26,000	31,866	-
84.366	Mathematics and Science Partnership	-	105,680	87,918	17,762
	Balance Forward	\$ (641,724)	\$ 13,389,703	\$ 13,385,361	\$ (637,382)

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	U.S. Department of Education Balance Forward	\$ (641,724)	\$ 13,389,703	\$ 13,385,361	\$ (637,382)
	Pass-through from: Government of Guam Safe Drug Free Schools and Communities Act Grant:				
84.186	Safe and Drug-Free Schools and Communities - State Grants	(81,912)	77,641	-	(4,271)
	Pass-through from: Commonwealth of the Northern Mariana Islands:				
84.229	Language Resource Centers	-	126,010	-	126,010
	Pass-through from: Kosrae:				
84.256	Freely Associated States - Education Grant Program	-	21,490	16,307	5,183
	Pass-through from: San Diego State University:				
84.264	Rehabilitation Training - Continuing Education	329	20,565	-	20,894
	Pass-through from: University of South Florida and University of Oregon:				
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	4,858	21,353	21,353	4,858
	Pass-through from: Federated State of Micronesia:				
84.336	Teacher Quality Enhancement Grants	-	28,593	33,874	(5,281)
	U.S. Department of Education Total	\$ (718,449)	\$ 13,685,355	\$ 13,456,895	\$ (489,989)

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

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	Direct from U.S. Department of Health and Human Services:				
93.251	Universal Newborn Hearing Screening	\$ 6,514	\$ 178,328	\$ 164,589	\$ 20,253
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	30,916	130,952 *	138,541	23,327
93.375	Minority Biomedical Research Support	138,820	666,016	703,892	100,944
93.397	Cancer Centers Support Grants	87,862	470,060	422,141	135,781
93.632	University Centers for Excellence in Developmental Disabilities Education, Research and Service	38,196	455,122	444,757	48,561
93.864	Population Research	714	17,703	18,417	-
	Pass through from: Government of Guam Division of Senior Citizens				
93.052	National Family Caregiver Support	(49,629)	503,403	539,881	(86,107)
	Pass through from: University of California, San Diego:				
93.866	Aging Research	70,436	670,155 *	715,535	25,056
	Pass-through from: Government of Guam Department of Mental Health and Substance Abuse:				
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	-	84,045	-	84,045
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	-	20,679	30,000	(9,321)
93.959	Block Grants for Prevention and Treatment of Substance Abuse	-	6,441	6,000	441
	Pass-through from: Government of Guam Department of Health and Human Services:				
93.256	State Planning Grant - Health Care Access for the Uninsured	-	47,360	106,488	(59,128)
	Balance Forward	\$ 323,829	\$ 3,250,264	\$ 3,290,241	\$ 283,852

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2005

Federal CFDA #	Federal Grantor/Program Title	Accrued Balance at September 30, 2004	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2005
	U.S. Department of Health and Human Services				
	Balance Forward	\$ 323,829	\$ 3,250,264	\$ 3,290,241	\$ 283,852
	Pass-through from:				
93.283	Government of Guam Association of Teachers of Preventive Medicine: Centers of Disease Control and Prevention - Investigations and Technical Assistance	52,704	351,529	306,618	97,615
	Pass-through from:				
93.587	Government of Guam Department of Chamorro: Promote the Survival and Continuing Vitality of Native American Languages	-	16,284	26,600	(10,316)
	Pass-through from:				
93.596	Government of Guam Department of Public Health and Social Services: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	35,643	260,775	177,784	118,634
	Pass-through from:				
93.596	Guam Election Commission: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	9,050	9,050	-
	Pass-through from:				
93.779	Government of Guam Department of Integrated Services for Individuals with Disabilities: Centers for Medicare and Medicaid Services (CMS), Research, Demonstrations and Evaluations	3,533	11,096	12,500	2,129
	U.S. Department of Health and Human Services Total	415,709	3,898,998	3,822,793	491,914
	Grand Total	\$ 274,101	\$ 22,371,993	\$ 21,983,602	\$ 662,492

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

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Additionally, during 2005, the University identified certain pass through grants that derive from federal funding and the balance at September 30, 2004 now includes such activity.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. No reportable condition in internal control over financial reporting was identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. A reportable condition in internal control over compliance with requirements applicable to major federal award programs was identified, which is not considered to be a material weakness.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed a finding required to be reported by OMB Circular A-133.
7. The University's major programs were as follows:

<u>CFDA Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	\$ 713,861
93.866	Aging Research	670,155
<u>Student Financial Aid Cluster</u>		
84.007	Federal Supplemental Educational Opportunity Grants	177,550
84.063	Federal Pell Grant Program	4,289,460
84.033	Federal Work-Study Program	421,709
84.268	Federal Direct Loan	901,698
84.032	Federal Family Educational Loans	4,687,246
47.074	Biological Science	114,556
84.120	Minority Science and Engineering Improvement	185,124
84.325	Special Education: Personnel Preparation to Improve Services & Results for Children with Disabilities	106,441
93.251	Universal Newborn Hearing Screening	178,328
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	130,952

8. A threshold of \$671,160 was used to distinguish between Type A and Type B programs.
9. The University is qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

Part II - Financial Statement Findings Section

No matters are reportable.

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>
2005-01	84.032	Eligibility	\$ -

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Finding No.: 2005-01
Grantor Agency: U.S. Department of Education
CFDA No.: 84.032
Program Name: Stafford Loan – Financial Aid
Area: Eligibility
Questioned Costs: \$0

Criteria:

The Financial Aid Office should confirm with Admissions & Records Department that student eligibility requirements have been met prior to awarding Stafford Loans.

Condition:

One of 19 (5%) students listed was allowed to charge tuition and fees in the amount of \$1,749 due to an approved Stafford Loan. Subsequently, the student award was cancelled because the student did not meet complete eligibility requirements. However, reimbursement to the Stafford Loan account did not occur and the program was charged for an ineligible use.

Cause:

It appears that the above condition was contributed to by lack of internal control in determining complete student eligibility requirements.

Effect:

No questioned costs result from this finding since the award was subsequently charged to the unrestricted funds. However, the projected question cost exceeds the threshold; therefore, the condition is considered reportable.

Recommendation:

Internal controls should be strengthened to ensure Stafford Loans are awarded to eligible students

Auditee Response and Corrective Action Plan:

We concur. Student was awarded Stafford Loan. Student award was later canceled by not meeting the academic progress requirement. To accurately measure eligibility, FAO will closely monitor Satisfactory Academic Progress requirements (Grade Point Average and Incremental Assessment) of students.

UNIVERSITY OF GUAM

Summary Schedule of Prior Audit Findings Year Ended September 30, 2005

Finding Number 2004-01:

This finding is considered resolved. No material long outstanding advances over a year old were noted in 2005.

Finding Number 2004-02:

This finding is considered resolved. Exceptions reports generated on a bi-weekly basis are reviewed and approved by the comptroller prior to issuing payroll checks.

Finding Number 2004-03:

This finding is considered resolved. The Financial Aid Handbook has been modified to indicate the students are not required to sign award letters.

Finding Number 2004-04:

This finding is considered resolved. The overpayment was collected.

Finding Number 2004-05:

This finding is not considered resolved. Approved indirect costs rate is used.

Finding Number 2004-06:

This finding is considered resolved. Actual expenses are reported instead of advances to subrecipients.

Finding Number 2004-07:

This finding is considered resolved. Payroll is calculated based on hours reported on the timesheets.