

**UNIVERSITY OF GUAM**

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

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**YEAR ENDED SEPTEMBER 30, 2003**

**UNIVERSITY OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2003**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON 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, 2003, and for the year then ended, and have issued our report thereon dated May 18, 2004. 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**

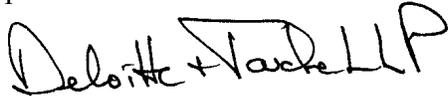
As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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*.

**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. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. 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 University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-01 through 2003-04.

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 none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam, 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 these specified parties.

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

May 18, 2004



**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, 2003. 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 2003-01 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with requirements regarding institutional eligibility and participation, administrative capability standard that is applicable to its student financial aid cluster programs. Compliance with such requirement 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, 2003.

## 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.

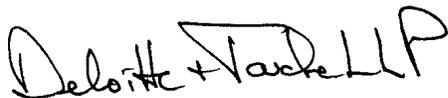
We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, 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 is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-01.

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, 2003, and have issued our report thereon dated May 18, 2004. 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, 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 these specified parties.

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

May 18, 2004

**UNIVERSITY OF GUAM**

Summary Schedule of Expenditures of Federal Awards, by Grantor  
Year Ended September 30, 2003

<u>Federal Grantor Agency</u>	Accrued (Deferred) Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
U.S. Department of Agriculture	\$ 197,861	\$ 2,311,503	\$ 2,311,567	\$ 197,797
U.S. Department of Commerce	28,000	333,570	242,602	118,968
U.S. Department of Defense	(7,931)	4,451	84,554	(88,034)
U.S. Department of the Interior	64,374	305,719	205,081	165,012
National Science Foundation	23,011	136,213	89,678	69,546
Small Business Administration	109,376	488,090	501,399	96,067
U.S. Environmental Protection Agency	83,602	211,894	163,242	132,254
U.S. Department of Education	395,287	11,263,240	11,381,710	276,817
U.S. Department of Health and Human Services	418,052	2,662,305	2,522,273	558,084
	<u>418,052</u>	<u>2,662,305</u>	<u>2,522,273</u>	<u>558,084</u>
GRAND TOTAL	\$ <u>1,311,632</u>	\$ <u>17,716,985</u>	\$ <u>17,502,106</u>	\$ <u>1,526,511</u>

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
	Direct from Department of Agriculture:					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ -	\$ -	23,124	\$ 10,000	\$ 13,124
10.200	Grants for Agricultural Research, Special Research Grants	25,150	25,150	489,795	494,000	20,945
10.202	Cooperative Forestry Research	318	318	42,703	25,500	17,521
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	137,640	137,640	630,774 *	796,000	(27,586)
10.206	Grants for Agricultural Research: Competitive Research Grants	(2,451)	(2,451)	-	-	(2,451)
10.220	Higher Education Multicultural Scholars Program	-	-	13,125	-	13,125
10.500	Cooperative Extension Service	(91,316)	(91,316)	1,047,327 *	842,525	113,486
10.769	Rural Business Enterprise Grants	42,382	42,382	7,618	49,607	393
10.855	Distance Learning and Telemedicine Loans and Grants	21,941	21,941	4,200	22,455	3,686
10.912	Environmental Quality Incentives Program	8,267	8,267	(1,973)	7,420	(1,126)
	Pass-through from:					
	University of Hawaii at Manoa:					
10.200	Grants for Agricultural Research, Special Research Grants	<u>55,930</u>	<u>55,930</u>	<u>54,810</u>	<u>64,060</u>	<u>46,680</u>
	Department of Agriculture Total	<u>197,861</u>	<u>197,861</u>	<u>2,311,503</u>	<u>2,311,567</u>	<u>197,797</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.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
	Direct from Department of Commerce:					
11.417	Sea Grant Support	\$ 28,000	\$ 28,000	\$ -	\$ 28,000	\$ -
11.463	Habitat Conservation	-	-	42,617	14,562	28,055
11.478	Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	-	-	290,953	200,040	90,913
	Department of Commerce Total	28,000	28,000	333,570	242,602	118,968

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from Department of Defense:						
12.431	Basic Scientific Research	\$ -	\$ -	\$ -	\$ 88,034	\$ (88,034)
12.630	Basic Applied and Advanced Research in Science and Engineering	<u>(7,931)</u>	<u>(7,931)</u>	<u>4,451</u>	<u>(3,480)</u>	<u>-</u>
	Department of Defense Total	<u>(7,931)</u>	<u>(7,931)</u>	<u>4,451</u>	<u>84,554</u>	<u>(88,034)</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from Department of the Interior:						
15.805	Assistance to State Water Resources Research Institutes	\$ 64,374	\$ 64,374	\$ 242,074	\$ 150,417	\$ 156,031
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	-	-	63,645	54,664	8,981
	Department of the Interior Total	<u>64,374</u>	<u>64,374</u>	<u>305,719</u>	<u>205,081</u>	<u>165,012</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from National Science Foundation:						
47.050	Geosciences	\$ 6,390	\$ 6,390	\$ 10,823	\$ 6,390	\$ 10,823
47.074	Biological Sciences	26,426	26,426	111,712	73,093	65,045
47.076	Education and Human Resources	<u>195</u>	<u>(9,805)</u>	<u>13,678</u>	<u>10,195</u>	<u>(6,322)</u>
	National Science Foundation Total	<u>33,011</u>	<u>23,011</u>	<u>136,213</u>	<u>89,678</u>	<u>69,546</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from Small Business Administration:						
59.037	Small Business Development Center	\$ 109,376	\$ 109,376	\$ 488,090	\$ 501,399	\$ 96,067
	Small Business Development Center Total	<u>109,376</u>	<u>109,376</u>	<u>488,090</u>	<u>501,399</u>	<u>96,067</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
	Direct from Environmental Protection Agency:					
66.500	Environmental Protection: Consolidated Research	\$ 83,602	\$ 83,602	\$ 211,894	\$ 163,242	\$ 132,254
	Environmental Protection Agency Total	<u>83,602</u>	<u>83,602</u>	<u>211,894</u>	<u>163,242</u>	<u>132,254</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from Department of Education:						
84.007	Federal Supplemental Educational Opportunity Grants	\$ -	\$ -	\$ 143,295 *	\$ 132,150	\$ 11,145
84.032	Federal Family Educational Loans	56,517	56,517	2,470,751 *	2,594,685	(67,417)
84.033	Federal Work-Study Program	66,545	66,545	420,690 *	425,953	61,282
84.042	TRIO: Student Support Services	35,387	35,387	267,359 *	239,363	63,383
84.044	TRIO: Talent Search	30,033	30,033	315,222 *	302,087	43,168
84.047	TRIO: Upward Bound	62,390	62,390	398,603 *	390,459	70,534
84.063	Federal Pell Grant Program	23,419	23,419	3,372,206 *	3,729,107	(333,482)
84.069	Leveraging Education Assistance Partnership	-	-	20,950	20,950	-
84.195	Bilingual Education: Professional Development	4,436	4,436	249,613	140,934	113,115
84.224	Assistive Technology	16,219	16,219	97,179	100,549	12,849
84.268	Federal Direct Student Loans	(10,339)	(10,339)	2,682,141 *	2,448,759	223,043
84.288	Bilingual Education Program Development and Implementation Grants	24,251	24,251	219,440	208,149	35,542
84.325	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	41,726	41,726	176,268	204,111	13,883
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	-	-	120,757	117,411	3,346
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	44,703	44,703	308,766	327,043	26,426
	Department of Education Total	<u>395,287</u>	<u>395,287</u>	<u>11,263,240</u>	<u>11,381,710</u>	<u>276,817</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.

**UNIVERSITY OF GUAM**

Supplementary Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2002	Revised Accrued Balance at September 30, 2002	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2003
Direct from Department of Health and Human Services:						
93.230	Consolidated Knowledge Development and Application (KD&A) Program	\$ 24,090	\$ 24,090	\$ 102,527	\$ 126,617	\$ -
93.251	Universal Newborn Hearing Screening	18,791	18,791	134,049	149,063	3,777
93.375	Minority Biomedical Research Support	403,302	403,302	1,163,521 *	1,158,419	408,404
93.632	University Centers for Excellence in Developmental Disabilities, Education, Research and Service	123,853	123,853	358,364	466,390	15,827
93.864	Population Research	6,131	6,131	25,822	31,953	-
Pass through from:						
Government of Guam Division of Senior Citizens						
Department of Public Health and Social Services:						
93.044	Special Programs for the Aging, Title IIIB: Grants for Supportive Services and Senior Centers	(158,115)	(158,115)	567,740 *	429,475	(19,850)
93.866	Aging Research	-	-	310,282	160,356	149,926
Department of Health and Human Services Total		<u>418,052</u>	<u>418,052</u>	<u>2,662,305</u>	<u>2,522,273</u>	<u>558,084</u>
Grand Total		<u>\$ 1,321,632</u>	<u>\$ 1,311,632</u>	<u>\$ 17,716,985</u>	<u>\$ 17,502,106</u>	<u>\$ 1,526,511</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.

Reconciliation to financial statements:

Accounts receivable - U.S. Government	\$ 1,964,565
Other local contracts	<u>(438,054)</u>
Balance per Schedule of Expenditures of Federal Awards	<u>\$ 1,526,511</u>

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2003

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 instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings 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>
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	\$ 630,774
10.500	Cooperative Extension Service	1,047,327
<u>Student Financial Aid Cluster</u>		
84.007	Federal Supplemental Educational Opportunity Grants	\$ 143,295
84.063	Federal Pell Grant Program	3,372,206
84.033	Federal Work-Study Program	420,690
84.268	Federal Direct Loan	2,682,141
84.032	Federal Family Educational Loans	2,470,751
<u>TRIO Cluster</u>		
84.042	Student Support Services	\$ 267,359
84.044	Talent Search	315,222
84.047	Upward Bound	398,603
93.044	Special Programs for the Aging, Title IIIB: Grants for Supportive Services and Senior Centers	567,740
93.375	Minority Biomedical Research Support	1,163,521

8. A threshold of \$531,510 was used to distinguish between Type A and Type B programs.
9. The University did not qualify 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, 2003

**Part II - Financial Statement Findings Section**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2003-02	Computer Environment	\$ -
2003-03	Advances Outstanding Over a Year	\$ -
2003-04	Travel Advances Outstanding 91 days and Over	\$ -

**Part III - Federal Award Findings and Questioned Cost Section**

<u>Reference Number</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>
2003-01	84.063/84.033/ 84.032/84.007	Institution Eligibility and Participation, Administrative Capability Standard	\$ -

**UNIVERSITY OF GUAM**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2003

Finding No.: 2003-01  
CFDA No.: 84.063 Federal Pell Grant Program  
84.033 Federal Work-Study Program  
84.032 Federal Family Education (Stafford) Loan  
84.007 Federal Supplemental Educational Opportunity Grants  
Area: Institution Eligibility and Participation, Administrative Capability Standard  
Questioned Cost: \$0

Criteria:

An adequate segregation of duties needs to occur particularly with cash handling responsibilities.

Condition:

One staff person has the responsibilities of both an Administrative Assistant and a Bursar. This condition results in inadequate segregation of duties since one staff has both the ability to access the reconciliation of Student Financial Aid eligibility data base and to record cash and receivable transactions.

Cause:

The shortage of staff has led to the assignment of conflicting responsibilities under one employee.

Effect:

There is a potential that undetected errors or theft may occur.

Recommendation:

Management should separate the duties and responsibilities of staff.

Auditee Response and Corrective Action Plan dated June 25, 2004:

We concur. The Bursar was only recently established as an administrative position and is to be a link between the Business Office, the Registrar's Office and the Financial Aid Office. The functions of this position were temporarily assigned to one individual, who has been administering the tuition payment plan, reconciling accounts, and overseeing collections. It is located within Financial Aid Office under the Enrollment Management & Student Services Division.

A position description for the permanent position is being prepared which will address the segregation of duties, since the current acting position has the ability to access the reconciliation of the Student Financial Aid data base eligibility and to record cash and receivable transactions.

Once a new permanent Bursar is selected, he/she will record cash and receivable transactions and report directly to the Dean of Enrollment Management and Student Services, but will work with another individual in the Financial Aid Office on matters dealing with eligibility.

In the interim, the acting Bursar will continue to do the receiving and collecting from within the Enrollment Management Services Division, but will work with another individual in the Financial Aid Office on matters of eligibility.

**UNIVERSITY OF GUAM**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2003

Finding No.: 2003-02  
Area: Computer environment

Criteria:

Passwords used to gain access to restricted areas within the computer system should require users to periodically change their password.

Condition:

The Colleague Computer System is set up by the UOG Computer Center and is accessed through various degrees of authorization determined by the Program Director. While access into the system is password restricted, passwords have not changed since 1993, the inception of the Colleague Computer System.

Cause:

There has not been any directive to change passwords.

Effect:

There is a potential of unauthorized usage or the sharing of passwords due to the length of time that passwords have remained unchanged.

Recommendation

Management should adopt a policy of changing passwords on a regular basis and discourage password sharing.

Auditee Response and Corrective Action Plan dated June 25, 2004:

We concur. There is an existing practice that requires passwords to be changed every six months, and a password is disabled whenever someone leaves. The users also have the ability to change passwords whenever they desire.

A formal policy is being promulgated by the Computer Center's "Colleague Security Access Request Guidelines" that will establish the requirement to change passwords annually. The Computer Center will also perform a system wide review to ensure that all passwords currently in use meet this standard. This policy will be reviewed by the University's Technology Advisory Committee.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2003

Finding No. 2003-03  
Area: Advances Outstanding Over a Year

Criteria:

Advances to vendors should be cleared in a timely manner

Condition:

The following advances to vendors have been outstanding for more than a year.

10-17000	\$ 14,695
23-17000	1,970
29-17000	1,087
31-17000	8,253
24-17000	22,441
53-17000	6,398
59-17000	<u>302,720</u>
Total	\$ <u>357,564</u>

Cause:

Advances to vendors are not reconciled in a timely manner.

Effect:

No material effect on the financial statements occurs as a result of this condition.

Prior Year Status:

Advances to vendors outstanding in excess of one year was reported as a finding in the 2002 Single Audit.

Recommendation:

Advances to vendors should be followed up and cleared in a timely manner.

# UNIVERSITY OF GUAM

## Schedule of Findings and Questioned Costs Year Ended September 30, 2003

Finding No. 2003-03, Continued  
Area: Advances Outstanding Over a Year

### Auditee Response and Corrective Action Plan dated June 25, 2004:

We concur. The advances referenced in the report have been reviewed by the Business Office. The update for advances listed in the report is as follows:

10-17000	\$ 991
23-17000	\$1,970
29-17000	\$1,087
31-17000	\$8,252
24-17000	\$22,441
53-17000	\$-0-
59-17000	<u>\$52,547</u>
Total	<u>\$87,288</u>

Although the initial amount has been reduced by 75%, all affected department heads have been contacted and the Business Office is working with each area to reduce these balances to at or near zero before the end of FY 2004.

The University is committed to minimizing the use of such advances. Heretofore, advances to vendors have been used only for off-island vendors who would not provide supplies unless they received an advance payment. Those vendors who require advance payments and will not reconsider will be reviewed to see if other vendors can be identified; however, if no substitute vendors can be found, they will be asked to consider using electronic funds transfers (via ACH) to ensure that funds are in their account before they ship their product to UOG. If no other alternative is viable, then advances will be authorized on a selective basis.

This electronic payment method will also allow UOG the opportunity to dialogue with the vendor prior to shipment to obtain confirmation of exactly which goods are actually to be shipped before any advance payment is made. This will allow a complete closing of each purchase order after the goods are received, with no more open line items on each purchase order.

This payment method will greatly reduce the time that "advances" will be open, since the advances will only be outstanding from the day the goods are shipped until they arrive. This should be no more than 7-weeks (surface mail) after the funds are electronically transferred to the vendor just before the goods are shipped.

Also, the Business Office has been monitoring all such advances on a monthly basis and providing follow-up lists to the affected department heads. There is increased pressure from the vice-president offices that oversee these departments to provide invoices, receiving reports and provide whatever else is needed to clear any such advances.

# UNIVERSITY OF GUAM

## Schedule of Findings and Questioned Costs Year Ended September 30, 2003

Finding No. 2003-04  
Area: Travel Advances Outstanding 91 days and Over

### Criteria:

Travel advances should be cleared in a timely manner. University policy requires that travel clearance occurs within ten working days of return from travel.

### Condition:

Approximately \$62,000 represents travel advances outstanding as of September 30, 2003 that have been outstanding for in excess of ninety days.

### Cause

Travel advances are not being cleared in accordance with University policy.

### Effect

No material effect on the financial statements occurs as a result of this condition.

### Prior Year Status:

Travel advances not cleared in a timely manner was reported as a finding in the 2002 Single Audit.

### Recommendation:

Travel advances should be followed up and cleared in a timely manner. The University policy should either be enforced or amended. If travel advances are not cleared within the requisite time frame, payroll deductions should commence.

### Auditee Response and Corrective Action Plan dated June 25, 2004:

We concur. The University now has a practice of not processing new travel requests if past travel amounts are not cleared within ten (10) days after the travel. Notices are being issued to any traveler who exceeds this 10 day limit, with a note that the Business Office will deduct overdue advance settlements on the travelers' paycheck (as per UOG's Rules, Regulations, and Procedures Manual, Article VII.F.15) if not cleared by the subsequent pay period.

This follow-up practice has been ongoing since April 2004 and will be followed thru by the travel accountant on those advances that are not cleared within 10 days after the travel. Almost all the \$62,000 referenced in the report has been cleared as of this date. Those that are not yet cleared are in the process of being cleared.

# UNIVERSITY OF GUAM

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2003

### Finding Number 2002-01:

This finding is not considered resolved. Long outstanding advances over a year old have been cited in FY 2003 at finding number 2003-03.

### Finding Number 2002-02:

This finding is considered resolved. The equipment has been removed from the property inventory list and moved to plant maintenance for storage and/or disposal.

### Finding Number 2002-03:

This finding is not considered resolved. Travel clearances have not been reconciled in a timely manner as cited in FY 2003, finding number 2003-04.

### Finding Number 2002-04:

This finding is considered resolved. Progress reports were filed within the required time period.

### Finding Number 2002-05:

This finding is considered resolved. Proper documentation supporting sole source purchase was provided.