

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

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

YEAR ENDED SEPTEMBER 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 2, 2018. Our report included a modification because the UOG Endowment Foundation, a discretely presented component unit, is unable to determine updated carrying values of donated land of \$5,207,735 as of December 31, 2016.

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.

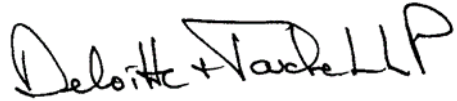
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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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May 2, 2018

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 THE UNIFORM GUIDANCE

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. 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 Corrective Action Plan. 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 the Uniform Guidance, 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 a 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.

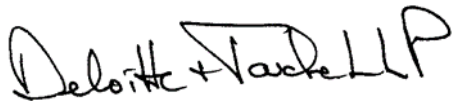
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 2, 2018, which contained an unmodified opinion on the University's financial statements and a qualified opinion on the component unit's 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 the Uniform Guidance 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 + Tuck LLP". The signature is written in a cursive, stylized font.

May 2, 2018

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

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2017

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 3,666,970
U.S. Department of Commerce	779,035
U.S. Department of Defense	1,139,939
U.S. Department of the Interior	907,926
U.S. Department of Justice	52,441
National Archives and Records Administration	118,247
National Science Foundation	1,385,729
U.S. Small Business Administration	667,021
U.S. Environmental Protection Agency	2,196
U.S. Department of Education	15,939,217
U.S. Department of Health and Human Services	<u>3,694,699</u>
Grand Total	<u>\$ 28,353,420</u>
 Reconciliation to the basic financial statements:	
Operating revenues - Federal grants and contracts	\$ 30,378,823
Indirect cost allocation in operating expenses	(1,219,741)
Matching cost in operating expenses	(97,389)
Program income in operating expenses	<u>(708,273)</u>
	<u>\$ 28,353,420</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, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Agriculture:					
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$ 308,891	\$	\$ 308,891
10.202	Cooperative Forestry Research		100,628		100,628
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,450,209		1,450,209
10.308	Resident Instruction Grants for Insular Area Activities		167,138		-
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		(1,853)		-
10.329	Crop Protection and Pest Management Competitive Grants Program		41,913		-
10.500	Cooperative Extension Service		959,295		-
10.652	Forestry Research		40,625		40,625
10.675	Urban and Community Forestry Program		87,592		64,540
10.680	Forest Health Protection		51,360		51,360
10.868	Rural Energy for America Program		13,475		13,475
	Subtotal Direct Programs		<u>3,219,273</u>	-	<u>2,029,728</u>
Pass-through from Government of Guam Department of Agriculture:					
10.170	Specialty Crop Block Grant Program - Farm Bill	none identified	184,819		184,819
Pass-through from Government of Guam Department of Public Health and Social Services:					
SNAP Cluster:					
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	14-1700-009	<u>103,896</u>	-	-
	SNAP Cluster Subtotal		103,896	-	-
Pass-through from Utah State University:					
10.215	Sustainable Agriculture Research and Education	07-298-3455	39,154		39,154
10.215	Sustainable Agriculture Research and Education	87-474-9364	37,020		37,020
Pass-through from University of the Virgin Islands:					
10.308	Resident Instruction Grants for Insular Area Activities	2013-70004	826		-
Pass-through from University of Hawaii:					
10.310	Agriculture and Food Research Initiative (AFRI)	MA110013	22,918		-
Pass-through from Washington State University:					
10.500	Cooperative Extension Service	2012-49200-20030	14,409		-
Pass-through from University of Wyoming:					
10.500	Cooperative Extension Service	108815 G003428	15,048		-
Pass-through from Northern Marianas College:					
10.500	Cooperative Extension Service	AR0015-54005-S-CS530	650		-
Pass-through from Kansas State University:					
10.500	Cooperative Extension Service	S17076	20,000		-
Pass-through from University of Hawaii:					
10.912	Environmental Quality Incentives Program	69-3A75-17-54	<u>8,957</u>		<u>8,957</u>
	Subtotal Pass-Through Programs		<u>447,697</u>	-	<u>269,950</u>
	U.S. Department of Agriculture Total		<u>\$ 3,666,970</u>	<u>\$ -</u>	<u>\$ 2,299,678</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Commerce:					
11.417	Sea Grant Support		\$ 254,746	\$	\$ 254,746
11.427	Fisheries Development and Utilization Research and Development		32,054		32,054
11.452	Unallied Industry Projects		6,251		-
11.482	Coral Reef Conservation Program		<u>75,329</u>		<u>75,329</u>
	Subtotal Direct Programs		368,380	-	362,129
Pass-through from the Research Corporation of the University of Hawaii:					
11.012	Integrated Ocean Observing System	Z10129876	7,579		7,579
Pass-through from Government of Guam Bureau of Statistics and Planning:					
11.419	Coastal Zone Management Administration Awards	C150601450	32,616		32,616
11.482	Coral Reef Conservation Program	W14090003	190,491		190,491
Pass-through from Marine Applied Research Center, LLC.					
11.427	Fisheries Development and Utilization Research and Development	PO #1601	21,015		21,015
Pass-through The Nature Conservancy:					
11.463	Habitat Conservation	UOGM022515	28,090		28,090
Pass-through The Micronesia Conservation Trust:					
11.482	Coral Reef Conservation Program	MCT/NOAAAC2/Y2/2015/01	82,070		82,070
Pass-through from Government of Guam Visitors Bureau:					
11.482	Coral Reef Conservation Program	NA13NOS4820012	14,130		14,130
Pass-through from University of Hawaii:					
11.482	Coral Reef Conservation Program	MCT-NOAACA2X/2015/01	<u>34,664</u>		<u>34,664</u>
	Subtotal Pass-Through Programs		<u>410,655</u>	-	<u>410,655</u>
	U.S. Department of Commerce Total		<u>\$ 779,035</u>	<u>\$ -</u>	<u>\$ 772,784</u>
Direct from the U.S. Department of Defense:					
12.002	Procurement Technical Assistance For Business Firms		\$ 294,143	\$	\$ -
12.300	Basic and Applied Scientific Research		845,796		845,796
	U.S. Department of Defense Total		<u>\$ 1,139,939</u>	<u>\$ -</u>	<u>\$ 845,796</u>

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
	Direct from U.S. Department of the Interior:				
15.650	Research Grants (Generic)		2,178		2,178
15.657	Endangered Species Conservation Recovery Implementation Funds		132,242		132,242
15.805	Assistance to State Water Resources Research Institutes		246,072		246,072
15.808	U.S. Geological Survey_ Research and Data Collection		35,399		35,399
15.875	Economic, Social, and Political Development of the Territories		143,428		2,985
15.945	Cooperative Research and Training Programs Resources of the National Park System		100,919		100,919
15.946	Cultural Resources Management		<u>18,594</u>		<u>-</u>
	Subtotal Direct Programs		678,832	-	519,795
	Pass-through from the Research Corporation of the University of Hawaii:				
15.820	National Climate Change and Wildlife Science Center	Various	205,413		205,413
	Pass-through from Government of Guam Bureau of Statistics and Planning:				
15.875	Economic, Social, and Political Development of the Territories	W16-0900-008	<u>23,681</u>		<u>879</u>
	Subtotal Pass-Through Programs		<u>229,094</u>	-	<u>206,292</u>
	U.S. Department of the Interior Total		<u>\$ 907,926</u>	<u>\$ -</u>	<u>\$ 726,087</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>\$ 52,441</u>	<u>\$ -</u>	<u>\$ -</u>
	U.S. Department of Justice Total		<u>\$ 52,441</u>	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from National Aeronautics and Space Administration:					
43.008	Education		\$ 118,247	\$ -	\$ 118,247
	National Archives and Records Administration Total		<u>\$ 118,247</u>	<u>\$ -</u>	<u>\$ 118,247</u>
Direct from National Science Foundation:					
47.050	Geosciences		\$ 13,154	\$ -	\$ 13,154
47.070	Computer and Information Science and Engineering		6,514	-	-
47.074	Biological Sciences		2,714	-	2,714
47.083	Office of Integrative Activities		<u>1,347,902</u>	<u>-</u>	<u>1,347,902</u>
	Subtotal Direct Programs		1,370,284	-	1,363,770
Pass-through from University of Hawaii:					
47.076	Education and Human Resources	HI 120009	<u>15,445</u>	<u>-</u>	<u>-</u>
	Subtotal Pass-Through Programs		<u>15,445</u>	<u>-</u>	<u>-</u>
	National Science Foundation Total		<u>\$ 1,385,729</u>	<u>\$ -</u>	<u>\$ 1,363,770</u>
Direct from Small Business Administration:					
59.037	Small Business Development Centers		\$ 667,021	\$ 148,374	-
	Small Business Administration Total		<u>\$ 667,021</u>	<u>\$ 148,374</u>	<u>-</u>
Pass-through from Government of Guam Environmental Protection Agency:					
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	85-503-2046	<u>2,196</u>	<u>-</u>	<u>-</u>
	Subtotal Pass-Through Programs		<u>2,196</u>	<u>-</u>	<u>-</u>
	Environmental Protection Agency Total		<u>\$ 2,196</u>	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Education:					
84.032	Federal Family Education Loans (Agency Loans)		\$ 151,505	\$ -	-
	Student Financial Assistance Cluster:				
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)		106,500		-
84.033	Federal Work-Study Program		435,640		-
84.063	Federal Pell Grant Program		7,793,798		-
84.268	Federal Direct Student Loans		6,308,186		-
84.379	Teacher Education Assistance for College and Higher Education Grants		<u>77,736</u>		-
	Student Financial Assistance Cluster Subtotal		<u>14,721,860</u>	<u>-</u>	<u>-</u>
	TRIO Cluster:				
84.042	TRIO Student Support Services		263,000		-
84.044	TRIO Talent Search		357,734		-
84.047	TRIO Upward Bound		421,086		-
	TRIO Cluster Subtotal		<u>1,041,820</u>	<u>-</u>	<u>-</u>
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		23,933		-
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		<u>99</u>		-
	Subtotal Direct Programs		<u>24,032</u>	<u>-</u>	<u>-</u>
	U.S. Department of Education Total		<u>\$ 15,939,217</u>	<u>\$ -</u>	<u>\$ -</u>

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

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2017

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Health and Human Services:					
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards		\$ 314,445	\$ 229,893	\$ -
93.110	Maternal and Child Health Federal Consolidated Programs		82,915		-
93.251	Universal Newborn Hearing Screening		182,321		-
93.307	Minority Health and Health Disparities Research		629,430		629,430
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		149,754		149,754
93.397	Cancer Centers Support Grants		1,008,995		1,008,995
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National X		9,646		-
93.464	ACL Assistive Technology		89,136		-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		555,803		-
93.824	Area Health Education Centers Infrastructure Development Awards		30,991	29,679	-
	Subtotal Direct Programs		3,053,436	259,572	1,788,179
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	various	4,810		-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances		21,760		-
93.110	Maternal and Child Health Federal Consolidated Programs		4,000		-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		140,672		-
93.505	Maternal, Infant, and Early Childhood Home Visiting Cluster: Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		122,723		-
	Maternal, Infant, and Early Childhood Home Visiting Cluster Subtotal		122,723	-	-
Pass-through from Pennsylvania State University:					
93.310	Trans-NIH Research Support	various	191,020		191,020
Pass-through from University of Hawaii:					
93.397	Maternal and Child Health Federal Consolidated Programs	2U54CA143728-06A1	73,914		73,914
Pass-through from the Research Corps of the University of Hawaii:					
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	NU58DP003906	70,063		70,063
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	NU58DP006312-01-00	12,301		12,301
	Subtotal Pass-Through Programs		641,263	-	347,298
	U.S. Department of Health and Human Services Total		\$ 3,694,699	\$ 259,572	\$ 2,135,477
Corporation for National and Community Service:					
94.006	Pass-through from Government of Guam Department of Labor: AmeriCorps		-	-	-
	Corporation for National and Community Service Total		-	-	-
	Grand Total		\$ 28,353,420	\$ 407,946	\$ 8,261,839

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

(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 Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the University under programs of the Federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

(3) Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the University maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The University has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The University recognizes contributions from the federal government when qualifying expenditures are incurred.

The University participates in the Federal Direct Student Loan program. The value of loans presented in the Schedule of Expenditures of Federal Awards is equivalent to the amount of new loans during the year.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

University of Guam (UOG) UOG Endowment Foundation	Unmodified Qualified
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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 200.516(a) of the Uniform Guidance? | 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
59.037	Cooperative Extension Service Small Business Development Centers

- | | |
|--|------------|
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$ 850,603 |
| 11. Auditee qualified as low-risk auditee? | Yes |

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>
2017-001	59.037	Special Tests and Provisions	\$ -

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Finding No.: 2017-001
Federal Agency: U.S. Small Business Administration (SBA)
CFDA Program: 59.037 – Small Business Development Centers
Federal Award Number: SBAHQ-15-B-0034, SBAHQ-16-B-0023, SBAHQ-17-B-0025
Area: Special Tests and Provisions
Questioned Costs: \$ -

Criteria: As part of the special terms and conditions for award year 2017, the following grant-agreed recipient responsibilities state: “the negotiated goals set for this award are 151 SBDC long term clients receiving 5 hours or more of counseling within one year, including preparation and contract time”.

Condition: A summary of target goals compared to actual performance is summarized below.

Requirement:	<u>Amount Required</u>	<u>Amount as of 09/30/2017</u>	<u>Deficiency</u>
1) 151 SBDC Long -term clients	151	150	(1)
2) 45 new businesses created	45	36	(9)

Cause: The cause of the condition above was due to 2017 goals being effected prior to the start of the program year in January 2017; therefore, SBDC was not able to negotiate with SBA to lower their Milestones goals.

Effect: The program is in potential noncompliance with grant award special terms and conditions. However, no questioned cost is presented since program goals are dependent upon economic impact. In addition, it was noted that in July 2017, the program has renegotiated with the federal grantor agency to lower their goals for program year 2018.

Recommendation: We recommend that the University continue to strengthen procedures to ensure that agreed upon goals are met and renegotiate attainable goals with their federal grantor agency.

Identification as a Repeat Finding: Finding 2016-001

Views of the Auditee and Planned Corrective Actions:

See the Corrective Action Plan.



OFFICE OF THE VICE PRESIDENT
Administration and Finance

UNIVERSITY OF GUAM
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Corrective Action Plan
Year Ended September 30, 2017

Finding 2017-001 – Special Test and Provisions

Corrective Action Plan: As per our Audit response last year we knew we would not be able to achieve the LTC and Startup goals in CY 2017 that were set 4-5 times our SBA population goal due to the markets being saturated and we were still training the new advisory staff that take about a year to start producing significant economic impact. Since our 2017 goals were already set before last year's audit and could not be adjusted, our plan was to get the staff all in place and trained as well as negotiate with SBA to lower our Milestones in our 2018 grant down to somewhere between our population goal and the higher Milestones we set and had made for many years. We successfully renegotiated our SBA goals for our 2018 grant as per our plan for last year's findings. The new Pacific Islands SBDC Network's goals from 2018 and on will be 128 SBDC long term clients receiving 5 hours or more of counseling within one year, 30 new businesses created/bought and \$2,515,000 capital infusion. We exceeded these new goals in 2017 and feel that we will be able to meet or exceed the new goals in 2018 and beyond.

Name of Contact Person: Pamela Peralta, Acting Network Director, Pacific Small Business Development Center

Proposed Completion Date: Ongoing

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**UNIVERSITY OF GUAM
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Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2017

Questioned Costs:

There are no questioned costs reported as of September 30, 2017.

Summary Schedule of Prior Audit Findings

As of September 30, 2017, the status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2016 is as follows:

Finding No.	CFDA No.	Requirement	Status at September 30, 2017
2016-001	59.037	Special Test and Provisions	Not resolved. See the Corrective Action Plan for Finding 2017-001