



UNIVERSITY OF GUAM
UNIBETSEDAT GUAHAN

Vice President
Administration and Finance

February 27, 2012

Eide Bailly LLP
877 West Main Street, Suite 800
Boise, ID 83702

We are providing this letter in connection with your audits of the financial statements of the University of Guam (the University) as of September 30, 2011 and 2010 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the University of Guam and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are also responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 32 are considered material based on the materiality criteria specified in OMB Circular A-133. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 27, 2012, the following representations made to you during your audits.

- 1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include the component unit required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all:
 - a) Financial records and related data.
 - b) Minutes of the meetings of the Board of Regents of the University of Guam or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

- 7) Except as made known to you, we have no knowledge of any fraud or suspected fraud affecting the University involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 8) Except as made known to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, grantors, regulators, or others.
- 9) We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
- 10) We have a process to track the status of audit findings and recommendations.
- 11) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 12) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 13) The University has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
- 14) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the University is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 15) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the University vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
- 16) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 17) The University of Guam is an exempt organization under Public Law No. 13-194, "The Higher Education Act of 1976," which became effective on November 3, 1976. Any activities of which we are aware that would jeopardize the University's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 18) There are no:
 - a) Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.

- b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting standards generally accepted in the United States of America.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting standards generally accepted in the United States of America.
 - d) Reservations or designations of net assets that were not properly authorized and approved.
- 19) Except as made known to you, the University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) The University has complied with all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- 21) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 22) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 23) Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted), and equity amounts are properly classified and, if applicable, approved.
- 24) Provisions for uncollectible receivables have been properly identified and recorded.
- 25) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 26) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 27) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 28) Capital assets, are properly capitalized, reported, and, if applicable, depreciated.
- 29) We have appropriately disclosed the University's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 30) We have appropriately disclosed the University's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 31) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 32) With respect to the Schedule of Salaries and Wages and the Schedules of Expenses by Object Category
- a) We acknowledge our responsibility for presenting the Schedule of Salaries and Wages and the Schedules of Expenses by Object Category in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedule of Salaries and Wages and the Schedules of Expenses by Object Category, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Salaries and Wages and the Schedules of Expenses by Object Category have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the Schedule of Salaries and Wages and the Schedules of Expenses by Object Category is not presented with the audited financial statements, we will make the audited financial statements readily available to

the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

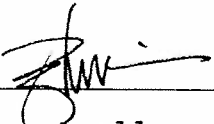
33) With respect to federal award programs:

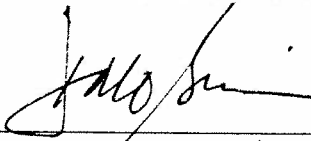
- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- g) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- k) We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the

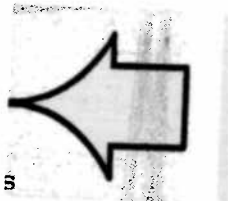
compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- r) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- s) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- t) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- u) We have charged costs to federal awards in accordance with applicable cost principles.
- v) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- x) We are responsible for preparing and implementing a corrective action plan for each audit finding.
- y) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- aa) We are responsible for taking corrective action on each audit finding.

We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed:  2/27/12
Title: Comptroller

Signed:  2/27/12
Title: Vice President Financial Affairs



Effect Debit (Credit) of misstatements and classification errors on:

Description	Asset	Liability	Revenue	Expense	Net Income	Equity
Reversed prior year misstatements						
To pass on recording an adjustment to remove accumulated depreciation from the books as of prior year end.	-	-	-	(254,841)	254,841	254,841
To correct accumulated depreciation on library books as of prior year end.	-	-	-	80,152	(80,152)	(80,152)
To reverse a miskey in the accounts payable as of the year ended 9/30/10.	-	-	-	100,000	(100,000)	(100,000)
To record capital leases from 2006 through 2010	-	-	-	(134,846)	134,846	134,846
Current year misstatements						
To pass on recording an adjustment to record the reconciling items that pertain to 2011 in 2011	76,652	-	-	(76,652)	76,652	-
To pass on an adjustment to correct the cash and payroll expense as of 9/30/11	(221,765)	-	-	221,765	(221,765)	-
Total	(145,113)	-	-	(64,422)	64,422	209,535
						64,422
						Cumulative Misstatement Errors
						273,957