

**GUAM COMMUNITY COLLEGE  
(A COMPONENT UNIT OF  
THE GOVERNMENT OF GUAM)**

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

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**YEAR ENDED SEPTEMBER 30, 2007**

**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**

Board of Trustees  
Guam Community College:

We have audited the financial statements of the Guam Community College (the College), a component unit of the Government of Guam, as of and for the year ended September 30, 2007, and have issued our report thereon dated June 13, 2008. 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 College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses (pages 6 and 7) to be a significant deficiency in internal control over financial reporting, which is described as item 2007-01.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

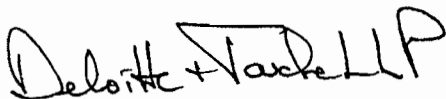
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the College in a separate letter dated June 13, 2008.

The College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Trustees and management of the Guam Community College, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and others within the entity, and is not intended to be and should not be used by anyone other than those 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 stylized and appears to be written in a cursive or semi-cursive font.

June 13, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Trustees  
Guam Community College:

Compliance

We have audited the compliance of the Guam Community College (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2007. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses (pages 6 and 7). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College'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 College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

As described in item 2007-01 in the accompanying Schedule of Findings and Responses, the College did not comply with requirements regarding equipment management applicable to each major program, as described in the Summary of Auditors' Results section (page 6) of the accompanying Schedule of Findings and Responses. Compliance with such requirements is necessary, in our opinion, for the College to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College 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, 2007.

## Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College'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, 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 College's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Responses as item 2007-01 to be a significant deficiency.

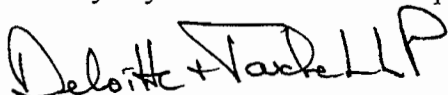
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, we believe that the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Responses is not a material weakness.

The College's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit College's response and, accordingly, we express no opinion on it.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College, as of and for the year ended September 30, 2007, and have issued our report thereon dated June 13, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for the purpose 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 College. 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 for the information of the Board of Trustees and management of the College, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and others within the entity 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 13, 2008

**GUAM COMMUNITY COLLEGE  
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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2007

<u>CFDA #</u>	<u>Federal Grantor/Program Title</u>	<u>Accrued (Deferred) Balance at September 30, 2006</u>	<u>Expenditures</u>	<u>Cash Receipts</u>	<u>Accrued (Deferred) Balance at September 30, 2007</u>
	U.S. Department of Education (Direct Programs):				
84.002A	Adult Education - State Grant Program	\$ 35,397	\$ 479,719 *	(407,289)	\$ 107,827
84.007	Federal Supplemental Education Opportunity Grants	(195)	56,747	(54,577)	1,975
84.031A	Higher Education-Institution Aid	1,366	176,500 *	-	177,866
84.033	Federal Work-Study Program	23,532	75,030	(82,661)	15,901
84.042A	TRIO-Student Support Services	63,640	231,019	(238,036)	56,623
84.044	Talent Search	45,657	173,231	(176,477)	42,411
84.048A	Vocational Education - Basic Grants to States	(4,689)	381,156 *	(275,183)	101,284
84.063	Federal Pell Grant Program	216,693	2,705,128	(2,691,820)	230,001
84.346	Vocational Education-Occupational and Employment Information State Grants	9,745	20,342	(29,850)	237
84.375	Academic Competitiveness Grants	-	3,750	(3,375)	375
	Total U.S. Department of Education (Direct Programs)	<u>391,146</u>	<u>4,302,622</u>	<u>(3,959,268)</u>	<u>734,500</u>
	Pass-through from:				
94.088/GEN-73	University of Guam	(45,549)	-	-	(45,549)
	Guam Public School System:				
84.922	Consolidated Grants	272,748	242,849 *	(273,046)	242,551 **
	Department of Public Works:				
20.600	State and Community Highway Safety	(6,800)	-	-	(6,800)
	Government of Guam:				
15.875	Economic, Social, and Political Development of the Territories	-	184,824 *	-	184,824 **
97.039	Hazard Mitigation Grant	-	126,113	(126,113)	-
	Total Pass-through grants	<u>220,399</u>	<u>553,786</u>	<u>(399,159)</u>	<u>375,026</u>
	Total Federal Assistance	<u>\$ 611,545</u>	<u>\$ 4,856,408</u>	<u>\$ (4,358,427)</u>	<u>\$ 1,109,526</u>

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

\*\* Recorded in other receivables in the financial statements.

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

**GUAM COMMUNITY COLLEGE  
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Schedule of Findings and Responses  
Year Ended September 30, 2007

**Part I - Summary of Auditors' Results**

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

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Adult Education – State Administration Basic Grant Program	84.002
Title III – Strengthening Institution Program	84.031
Vocational Education – Basic Grants to States	84.048
Consolidated Grants	84.922
Economic, Social, and Political Development of the Territories	15.875

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

**Part II - Financial Statement Findings Section**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2007-01	Fixed Asset Physical Count	\$ -

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

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2007-01	Fixed Asset Physical Count	\$ -

**GUAM COMMUNITY COLLEGE  
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Schedule of Findings and Responses, Continued  
Year Ended September 30, 2007

Finding No: 2007-01  
CFDA Program: All Federal Funds  
Area: Equipment Management  
Questioned Costs: \$0

Criteria:

Per 34 CFR section 74.34, a physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Condition:

The College has conducted the required comprehensive physical inventories of its fixed assets, but has not reconciled the results of that inventory to its fixed asset register.

Cause:

The condition is due to the ongoing systems conversion and does not appear to be due to neglect.

Effect:

The College is in noncompliance with applicable equipment management requirements.

Recommendation:

The College should reconcile the results of its physical inventory to its fixed asset register.

Auditee Response and Corrective Action Plan:

Management plans to account for its fixed asset inventory listing through the Sungard Banner Fixed Asset Module in FY08. The 9/30/07 physical inventory count performed will be used as a basis to compile the updated listing of fixed assets as of 9/30/08. Additionally, a physical inventory of fixed asset items will be completed by the end of FY08 and reconciled to the fixed asset listing in the Sungard Banner Fixed Asset Module by Florentina M. Terlaje, Inventory Management Officer. Utilization of this software will allow the College to track additions and disposals of fixed assets by department/location. Additionally, depreciation of fixed assets will be calculated and completed through the system.



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Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2007

There are no unresolved prior year audit findings or questioned costs.