

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents
University of Guam

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of University of Guam (the University) for the year ended September 30, 2008, on which we have issued our report dated March 12, 2009, we developed the following recommendations concerning matters related to its internal control or financial reporting. Our recommendations are summarized below:

Advances to Vendors

The University procures goods and services from local vendors as well as vendors in the mainland United States. Certain mainland vendors require the University to pay for goods in advance. The University advances payments to certain qualified vendors, and records the payments as a prepaid expense. When the goods arrive, the prepaid expense should be removed and either charged to expense or reclassified to another asset account.

The balance in the advances to vendors account had been growing over the years, and reached over \$800,000 at September 30, 2008. This amount is material to UOG's financial statements, and accordingly became subject to audit scrutiny.

UOG's accounting staff analyzed the account and found that many items in the schedule had already been received by the respective departments. Adjustments and reclassifications were necessary to reduce the prepaid balance to its proper level. It seems that the departments responsible for submitting required documents to the accountants in charge of maintaining the respective accounts did not do so in a timely manner.

We understand that the adjustments and reclassifications have brought the balance down to the appropriate figure, that the balance is updated, reconciled and reviewed by a supervisor on a monthly basis, and that the respective departments are restricted from requesting further advance payments to vendors unless they have submitted documents to liquidate outstanding vendor advances in a timely manner.

Travel Advances

The University incurs travel expenses in the normal course of operations. Some travel is funded through Federal grants, and some through University generated revenues. University policy allows a traveler to request an advance when a person is traveling on UOG business. The traveler must submit supporting documents to substantiate expenses incurred during the travel after returning from the trip.

When the traveler returns and submits a trip report with supporting documents, the University is able to clear the travel advance account and charge the expenses to the proper account. If the traveler does not submit proper documents, the travel advance may remain in the asset account for more than a reasonable amount of time.

We noted instances where travel advances were not cleared for several months after the trip was completed. University policy requires a traveler to file the travel clearance within ten working (10) days of returning from travel and clear the advance.

We understand that the University has implemented travel guidelines and procedures that require travelers to submit trip reports and supporting documents in compliance with the policy. If a traveler does not submit a timely, complete travel clearance and monies owed to the University, the Business Office will offset the outstanding travel advance against the traveler's paycheck, retirement pay, or estate without further notice. A traveler will not be allowed further travel until the Business Office clears prior travel advances.

PRIOR YEAR COMMENTS

Compliance with Hiring Policies

University hiring policies require that full-time employment positions be announced to allow qualified applicants an opportunity to compete for the position. During the year ended September 30, 2007 the University of Guam (UOG) hired a full-time employee without announcing the position. UOG officials acknowledge that no announcement was made for this position.

We recommend that all UOG personnel involved in the hiring process adhere to UOG's written hiring policies.

Fiscal Year 2008 Status: The University has announced the position in question above and now ensures that all hiring is done only after proper announcement and is based on merit.

Legal Services Contract

During the year ended September 30, 2007 UOG made payments to an off-island attorney under a contract that was executed in August 2002. UOG officials acknowledge that the contract was not approved by the Attorney General of Guam, as required by University Procurement Regulations. The procurement of such legal services is well before the period we have audited. The off-island attorney has particular expertise in equal employment opportunity claims, and did save UOG over two million dollars through his efforts in settlement, mediation and litigation of several long-standing claims against the University.

We do not have any specific recommendation, as the contract has since been terminated. The University has since executed a new contract with the off-island attorney, with the approval of the Attorney General, limited in scope of work to only those claims covered by the University's insurer.

In addition, the University has solicited a Request for Proposals for legal services as related to broader issues in the higher education setting, including but not limited to issues with an emphasis on Equal Employment Opportunity and Americans with Disability Act matters.

Fiscal Year 2008 Status: The University terminated the above contract, solicited a Request for Proposals for legal services, and the firm in question above did not submit a proposal. Services with the off-island attorney are under a new contract, which is strictly limited to those claims wherein the University's liability insurance underwriter requires use of the off-island firm as their selected defense counsel. The Attorney General of Guam has approved the new contract.

Follow-Up on Returned Checks

Cashier functions are provided at the fieldhouse, the bookstore and in the business office. Students and others do write checks for tuition, fees, books and other goods and services. At times, these checks are returned due to insufficient funds. We noted that there is an inadequate level of follow-up on such returned checks. UOG is maintaining a receivable account for such checks with some items dated more than ten years ago.

We recommend that UOG designate a person to devote significant attention to collecting returned checks. UOG could also consider outsourcing this function.

Fiscal Year 2008 Status: The University has designated a person to oversee collections of returned checks, and is considering outsourcing this function.

UOG/Endowment Foundation Vehicle

In 2005 the UOG Endowment Foundation (Foundation) agreed to donate a vehicle to UOG for use by the former President. Since UOG has competent procurement staff and the Foundation had a limited number of employees, UOG handled the procurement of the vehicle. This included identifying what type of vehicle to purchase, obtaining quotes from dealers, and making a decision on when and from whom to purchase the vehicle.

Further, the Foundation requested that UOG initially pay for the vehicle, after which they would reimburse UOG. This entire process was completed in 2005 (UOG fiscal year 2006), yet the vehicle was not included on UOG's fixed asset listing at September 30, 2006. The reason for not including the asset was that there was confusion as to which entity actually owned the vehicle.

It was UOG's and the Foundation's intention to purchase the vehicle as a Foundation asset and then donate it to UOG. However, there was no specific agreement as to the timing of the vehicle transfer from the Foundation to UOG. As there was inadequate communication as to which entity actually owned the vehicle, it was not included on UOG's fixed asset listing at September 30, 2006.

Due to the confusion as to ownership, UOG and the Foundation had difficulty in registering the vehicle. Because of this, UOG did not properly license the vehicle, place proper UOG signage on the vehicle or record the vehicle as a fixed asset in its accounting records until 2007, when the Foundation provided official notification of the vehicle transfer.

UOG officials attempted on many occasions to register the vehicle; it actually took several meetings and appeals to the Department of Revenue and Taxation before the proper license plates were obtained.

We do not have a specific recommendation, as the asset has now been recorded in UOG's accounting records, and the vehicle now has government of Guam license plates and UOG signage.

Fiscal Year 2008 Status: See preceding paragraph.

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This report is intended solely for the information and use of the Board of Regents and management of the University of Guam and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the University during the course of audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,



March 12, 2009