

**GUAM COMMUNITY COLLEGE**

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

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**SEPTEMBER 30, 2006**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS  
BASED UPON THE AUDIT 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, 2006, and have issued our report thereon dated May 14, 2007. 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**

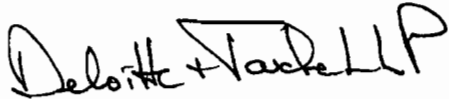
In planning and performing our audit, we considered Guam Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving Guam Community College's internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Guam Community 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*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated May 14, 2007.

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 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 written in a cursive, stylized font.

May 14, 2007

**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**

Board of Trustees  
Guam Community College:

Compliance

We have audited the compliance of the Guam Community 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, 2006. Guam Community College'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 its major federal programs is the responsibility of Guam Community College's management. Our responsibility is to express an opinion on Guam Community College's compliance based on our audit.

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; 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 Guam Community 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 Guam Community College's compliance with those requirements.

As described in items 2006-01 and 2006-02 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with the requirements regarding cash management and activities allowed or unallowed that are applicable to Student Support Services (84.042), Vocational Education Basic Grants to States (84.048) and Federal Pell Grant (84.063) programs. Compliance with such requirements are necessary, in our opinion, for the College to comply with requirements applicable to the 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, 2006.

### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

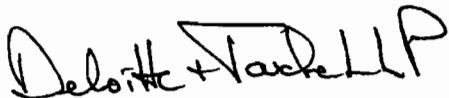
We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are in the accompanying Schedule of Findings and Questioned Costs as items 2006-01 and 2006-02.

A material weakness is a reportable 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 caused by error or fraud 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 the reportable conditions described above are not material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Guam Community College, as of and for the year ended September 30, 2006, and have issued our report thereon dated May 14, 2007. 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 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 Guam Community 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 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 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.



May 14, 2007

**GUAM COMMUNITY COLLEGE**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2006

CFDA #	Federal Grantor/Program Title	Accrued (Deferred)			Accrued (Deferred) Balance at September 30, 2006
		Balance at September 30, 2005	Expenditures	Cash Receipts	
U.S. Department of Education (DOE) (Direct Programs):					
84.002A	Adult Education - State Administration Basic Grant Program	\$ 51,379	\$ 414,947	(430,929)	\$ 35,397
84.007	Federal Supplemental Education Opportunity Grants	(165)	43,400 *	(43,430)	(195)
84.031A	Title III-Strengthening Institution Program	1,366	-	-	1,366
84.033	Federal Work-Study Program	8,803	80,229 *	(65,500)	23,532
84.042A	Student Support Services	33,206	274,432 *	(243,998)	63,640
84.048A	Vocational Education - Basic Grants to States	56,905	428,332 *	(489,926)	(4,689)
84.063	Federal Pell Grant Program	12,509	2,658,378 *	(2,454,194)	216,693
84.346	Career Resource Network State Grant	(115)	75,459	(65,599)	9,745
84.044	Talent Search	58,053	196,105 *	(208,501)	45,657
	<b>Total U.S. Department of Education (Direct Programs)</b>	<b>221,941</b>	<b>4,171,282</b>	<b>(4,002,077)</b>	<b>391,146</b>
Pass-through from:					
94.088/GEN-73	University of Guam	(45,549)	-	-	(45,549)
84.922	Government of Guam Guam Public School System Federal Programs	464,070	294,369	(485,691)	272,748 **
20.600	Department of Public Works:				
	EMS Training Course '00	(6,800)	-	-	(6,800) **
00ASTEGM01	Governor's Community Outreach	-	-	-	-
97.039	Hazard Mitigation Grant	156,100	1,021,303	(1,177,403)	-
	<b>Total Pass-through grants</b>	<b>567,821</b>	<b>1,315,672</b>	<b>(1,663,094)</b>	<b>220,399</b>
	<b>Total Federal Assistance</b>	<b>\$ 789,762</b>	<b>\$ 5,486,954</b>	<b>\$ (5,665,171)</b>	<b>\$ 611,545</b>

\* 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**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2006

**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 not identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, which were not considered to be material weaknesses.
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>
U.S. Department of Education - Student Financial Aid	84.007
	84.033
	84.063
Student Support Services	84.042
Talent Search	84.044
Vocational Education Basic Grants to States	84.048

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>
No matters are reportable		

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

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2006-01	Cash Management	\$ -
2006-02	Activities Allowed or Unallowed	\$ -

**GUAM COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2006

Finding No: 2006-01  
 CFDA No.: 84.042, 84.048, 84.063  
 Grantor: U.S. Department of Education  
 Program Name: Student Support Services, Vocational Education-Basic Grants to States, Federal Pell Grant Program  
 Area: Cash Management  
 Questioned Costs: \$0

Criteria:

Per OMB A-133, the grantee should minimize the time elapsing between the transfer of Federal funds from the recipient and the pay out of funds for program purposes. In accordance with 31 CFR 205.12.b.(4), cash advance (pre-issuance or post-issuance) funding means that a Federal Program Agency transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments.

Condition:

The following cash disbursements were disbursed more than three days from the time of grant receipt.

<u>CFDA No.</u>	<u>PW No.</u>	<u>Grant Award</u>	<u>Check Clearance Date</u>	<u>Award Receipt Date</u>	<u>Interest Amount</u>
84.042	Student Support Services	\$ 1,546	10/17/2006	10/03/2006	\$ <u>2</u>
84.048	Vocational Education - Basic Grants to States	3,400	04/14/2006	04/03/2006	4
84.048	Vocational Education - Basic Grants to States	4,893	10/16/2006	09/19/2006	<u>17</u>
	Total				\$ <u>21</u>
84.063	Federal Pell Grant	717	06/02/2006	05/24/2006	\$ 2
84.063	Federal Pell Grant	1,260	03/09/2006	11/21/2005	26
84.063	Federal Pell Grant	568	06/01/2006	05/24/2006	3
84.063	Federal Pell Grant	108	06/01/2006	05/24/2006	<u>1</u>
	Total				\$ <u>32</u>

Cause:

The underlying cause appears to be a lack of controls to ensure that grant awards are disbursed within three days of receipt.

Effect:

No known material effect on the financial statements results from this finding. However, non compliance with the federal requirement may affect the entity's ability to receive future federal funds. No questioned costs result from the finding as the projected questioned costs, per program, do not exceed the threshold.



**GUAM COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2006

Finding No: 2006-01, Continued  
CFDA No.: 84.042, 84.048, 84.063  
Grantor: U.S. Department of Education  
Program Name: Student Support Services, Vocational Education-Basic Grants to States, Federal Pell Grant Program  
Area: Cash Management  
Questioned Costs: \$0

Recommendation:

Management should minimize the time elapsing between the transfer of Federal funds from the recipient and the pay out of funds.

Auditee Response and Corrective Action Plan:

Management recognizes the need to monitor the time between the transfer of federal grant funds and the subsequent pay out of these funds. Internal processes will be updated to ensure compliance with the three-day disbursement requirement.

**GUAM COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2006

Finding No: 2006-02  
CFDA No.: 84.063  
Grantor: U.S. Department of Education  
Program Name: Federal Pell Grant Program  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$0

Criteria:

In accordance with applicable compliance requirements, total federal aid disbursed to students should not exceed their financial needs.

Condition:

For 2 (or 4%) of 50 students tested, payments occurred in excess of applicable Pell awards, as follows:

<u>Total Pell</u>	<u>Payments and Obligations</u>	<u>Overpayment</u>
\$ - 450	\$ 1,013 463	\$ 1,013 13
	Total	\$ <u>1,016</u>

Cause:

There appears to be lack of internal controls over ensuring that student payments do not exceed applicable awards.

Effect:

The overpayment of \$1,016 awarded to the Pell grant recipient, extrapolated over the population, exceeds the threshold. However, no questioned costs exist as the College charged the above to unrestricted funds and reimbursed the federal award. The College has provided on April 27, a reconciliation of its Pell activities to the financial statements, which reconciliation reflects necessary adjustments such as the above.

Recommendation:

The College should establish and/or strengthen internal controls to ensure that student disbursements are within the awarded amount.

Auditee Response and Corrective Action Plan:

The College identified a mechanism for reconciling the grant funds to the federal report. To ensure student payments do not exceed applicable awards, the timing of the reconciliations will be periodically performed.

**GUAM COMMUNITY COLLEGE**

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2006

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