

UNIVERSITY OF GUAM

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

YEAR ENDED SEPTEMBER 30, 2006

UNIVERSITY OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2006

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Board of Regents
University of Guam:

We have audited the financial statements of the University of Guam (the University), as of September 30, 2006, and for the year then ended, and have issued our report thereon dated April 26, 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 the University'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. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect University of Guam's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2006-1 and 2006-2.

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. Our consideration of the internal control over financial reporting 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 that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatements, 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*.

We noted certain other matters that we reported to management of the University in a separate letter dated April 26, 2007.

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam, the office of the Public Auditor of Guam, federal awarding agencies, pass through entities and the cognizant audit and other federal agencies 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.

Buigel & Comer, P.C.

April 26, 2007

**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**

The Board of Regents
University of Guam:

Compliance

We have audited the compliance of the University of Guam (the University) 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 each of its major federal programs for the year ended September 30, 2006. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based 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 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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University of Guam 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 University 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 University'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University, as of and for the year ended September 30, 2006, and have issued our report thereon dated March 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass through entities and the cognizant audit and other federal agencies 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.

Burgin & Comer, P.C.

April 26, 2007

UNIVERSITY OF GUAM

Summary of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2006

<u>Federal Grantor Agency</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
U.S. Department of Agriculture	\$ 347,542	3,115,375	2,702,224	760,693
U.S. Department of Commerce	(54,948)	667,455	485,848	126,659
U.S. Department of the Interior	236,210	475,133	590,369	120,974
U.S. Department of Labor	-	150,536	247,245	(96,709)
National Science Foundation	79,356	58,069	72,792	64,633
Small Business Administration	52,240	487,623	465,828	74,035
U.S. Environmental Protection Agency	167	16,249	-	16,416
U.S. Department of Education	(489,989)	15,109,795	14,319,124	300,682
U.S. Department of Health and Human Services	<u>491,914</u>	<u>3,908,971</u>	<u>3,902,195</u>	<u>498,690</u>
 GRAND TOTAL	 <u>\$ 662,492</u>	 <u>23,989,206</u>	 <u>22,785,625</u>	 <u>1,866,073</u>
 Reconciliation to the financial statements:				
Accounts receivable - U.S. Government	\$ 1,208,342			1,131,511
Other receivables	-			764,457
Deferred revenue	(596,967)			(56,029)
Other local contracts	<u>51,117</u>			<u>26,134</u>
Balance per schedule above	<u>\$ 662,492</u>			<u>1,866,073</u>
 Federal grants and contracts revenue		\$ 24,834,075		
Indirect cost allocation		(1,008,868)		
Program income		(74,217)		
Timing difference in revenue recognition		<u>238,216</u>		
Balance per schedule above		<u>\$ 23,989,206</u>		

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

Federal		Accrued (Deferred)			Accrued (Deferred)
CFDA #	Federal Grantor/Program Title	Balance at September 30, 2005	Expenditures	Cash Receipts	Balance at September 30, 2006
	Direct from the U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 27,753	52,336	73,971	6,118
10.200	Grants for Agricultural Research, Special Research Grants	53,691	670,759	552,761	171,689
10.202	Cooperative Forestry Research	13,378	36,183	33,650	15,911
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	98,486	810,514	760,914	148,086
10.206	Grants for Agricultural Research: Competitive Research Grants	234	40,463	43,150	(2,453)
10.220	Higher Education Multicultural Scholars Program	5,684	18,250	17,450	6,484
10.303	Integrated Programs	17,313	94,766	89,106	22,973
10.308	Resident Instruction Grants for Insular Area Activities	-	53,791	17,850	35,941
10.500	Cooperative Extension Service	36,857	999,560	719,571	316,846
10.652	Forest Services	5,040	220,138	266,112	(40,934)
10.680	Forest Health Protection	-	13,852	3,416	10,436
10.769	Rural Business Enterprise Grants	23,977	3,075	26,246	806
10.912	Environmental Quality Incentives Program -ANR USDA (CIG)	-	28,089	-	28,089
10.912	Environmental Quality Incentives Program	(1,125)	-	-	(1,125)
	Pass-through from University of Hawaii at Manoa:				
10.200	Grants for Agricultural Research, Special Research Grants	<u>66,254</u>	<u>73,599</u>	<u>98,027</u>	<u>41,826</u>
	U.S. Department of Agriculture Total	<u>\$347,542</u>	<u>3,115,375</u>	<u>2,702,224</u>	<u>760,693</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
	Direct from U.S. Department of Commerce:				
11.417	Sea Grant Support	\$ (4,784)	4,077	(4,784)	4,077
11.463	Habitat Conversion	19,779	190,614	205,624	4,769
11.478	Center for Sponsored Coastal Ocean Research - Coastal Ocean Program	2,355	-	2,355	-
11.481	Educational Partnership Program	-	174,750	172,430	2,320
	Pass through from Government of Guam Bureau of Statistics and Planning:				
11.419	Coastal Zone Management Administration Awards	54,334	87,793	78,893	63,234
11.426	Financial Assistance for National Centers for Coastal Ocean Science	<u>(126,631)</u>	<u>210,221</u>	<u>31,330</u>	<u>52,260</u>
	U.S. Department of Commerce Total	<u>\$ (54,947)</u>	<u>667,455</u>	<u>485,848</u>	<u>126,660</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued Year ended September 30, 2006

Federal CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 2005	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2006
	Direct from U.S. Department of the Interior:				
15.805	Assistance to State Water Resources Research Institutes	\$ 175,742	239,690	303,574	111,858
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	39,176	36,759	75,935	-
15.FFB	Cycas Micronesia Protection from Asian Cycad Scale	-	-	33,000	(33,000)
	Pass through from Government of Guam Department of Agriculture:				
15.611	Wildfire Restoration	-	1,183	-	1,183
15.614	Coastal Wetlands Planning, Protection and Restoration Act	-			-
15.608	Fish and Wildlife Management Assistance	(94,321)	125,974	40,011	(8,358)
	Pass through from Government of Guam Bureau of Statistics and Planning:				
15.225	Recreation Resource Management	(1,861)			(1,861)
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	118,205	71,527	137,849	51,883
	Pass through from Government of Guam War Claims:				
15.904	Historic Preservation Fund Grants-in-Aid	<u>(731)</u>	<u>-</u>	<u>-</u>	<u>(731)</u>
	U.S. Department of the Interior Total	<u>\$ 236,210</u>	<u>475,133</u>	<u>590,369</u>	<u>120,974</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
	Direct from U.S. Department of Labor				
17.259	AHRD Workforce Investment System	\$ -	55,705	134,830	(79,125)
17.260	AHRD BRAC 2005	-	4,084	50,800	(46,716)
17.269	ECS About Face program	-	<u>90,747</u>	<u>61,615</u>	<u>29,132</u>
	U.S. Department of Labor Total	<u>\$ -</u>	<u>150,536</u>	<u>247,245</u>	<u>(96,709)</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal		Accrued (Deferred) Balance at September		Cash	Accrued (Deferred) Balance at September
<u>CFDA #</u>	<u>Federal Grantor/Program Title</u>	<u>30, 2005</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>30, 2006</u>
	Direct from National Science Foundation:				
47.050	Geosciences	\$ 14,565	-	14,565	-
47.074	Biological Sciences	23,907	52,228	45,047	31,088
47.076	Education and Human Resources	<u>40,884</u>	<u>5,841</u>	<u>13,180</u>	<u>33,545</u>
		<u>\$ 79,356</u>	<u>58,069</u>	<u>72,792</u>	<u>64,633</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal		Accrued (Deferred) Balance at September		Cash	Accrued (Deferred) Balance at September
<u>CFDA #</u>	<u>Federal Grantor/Program Title</u>	<u>30, 2005</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>30, 2006</u>
	Direct from Small Business Administration:				
59.037	Small Business Development Center	\$ 52,240	487,623	465,828	74,035
	Small Business Administration Total	<u>\$ 52,240</u>	<u>487,623</u>	<u>465,828</u>	<u>74,035</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
	Direct from U.S. Environmental Protection Agency:				
66.500	Environmental Protection: Consolidated Research	\$ -	-	-	-
66.951	Environmental Education Grants	(4,113)	-	-	(4,113)
	Pass through from Government of Guam Bureau of Statistics and Planning:				
66.454	Water Quality Management Planning	<u>4,280</u>	<u>16,249</u>	<u>-</u>	<u>20,529</u>
	U.S. Environmental Protection Agency Total	<u>\$ 167</u>	<u>16,249</u>	<u>-</u>	<u>16,416</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
	Direct from U.S. Department of Education:				
84.007	Federal Supplemental Educational Opportunity Grant	\$ 450	130,748	129,123	2,075
84.032	Federal Family Education Loan	(121,544)	5,723,847	5,770,098	(167,795)
84.033	Federal Work-Study Program	103,388	460,604	516,503	47,489
84.042	TRIO: Student Support Services	20,154	253,004	237,241	35,917
84.044	TRIO: Talent Search	30,845	315,175	308,566	37,454
84.047	TRIO: Upward Bound	40,319	405,912	389,562	56,669
84.063	Federal Pell Grant Program	277,212	3,894,005	4,100,649	70,568
84.120	Minority Science and Engineering Improvement Project	24,146	53,220	60,924	16,442
84.195	Bilingual Education: Professional Development	66,423	307,258	349,679	24,002
84.224	Assistive Technology	(403,139)	550,724	143,914	3,671
84.235	Rehabilitation Services Demonstration and Training Program	(868,686)	834,701	-	(33,985)
84.268	Federal Direct Student Loans	13,666	531,447	423,132	121,981
84.288	Bilingual Education Program Development and Implementation Grant	-	-	-	-
84.325	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	4,022	190,724	165,797	28,949
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	58,440	87,078	145,518	-
84.373	Special Education_Technical Assistance on State Data Collection	-	110,590	47,331	63,259
84.116	Fund for the Improvement of Post Secondary Education	-	181,106	150,157	30,949
84.336	Teacher Quality Enhancement Grants - Ceddners/ HATSA	-	635,416	770,438	(135,022)
84.336	Teacher Quality Enhancement Grnats -Project Laser	-	11,225	-	11,225
	Pass through from Guam Department of Education and Federated States of Micronesia:				
84.027	Special Education - Grants to States	62,158	160,641	185,002	37,797
84.343	Assistive Technology_State Grants for Protection Advocacy - UAP Pohnpe:	-	21,205	43,107	(21,902)
	Pass through from Guam Department of Education:				
84.181	Special Education - Grants for Infants and Families with Disabilities	37,002	40,687	72,064	5,625
84.349	Early Childhood Educator Professional Development	-	15,349	-	15,349
84.366	Mathematics and Science Partnership	17,762	111,748	80,960	48,550
	Balance Forward	\$ (637,382)	15,026,414	14,089,765	299,267

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Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September 30, 2005	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September 30, 2006
	U.S. Department of Education: Balance Forward	\$ (637,382)	15,026,414	14,089,765	299,267
	Pass through from Government of Guam Safe Drug-Free Schools and Communities Act Grant:				
84.186	Safe and Drug-Free Schools and Communities - State Grants	(4,271)	-	-	(4,271)
	Pass through from Commonwealth of the Northern Mariana Islands:				
84.229	Language Resource Centers	(40,540)	40,540	-	-
	Pass through from Kosrae:				
84.256	Freely Associated States - Education Grant Program	5,183	11,269	16,452	-
	Pass through from San Diego State University:				
84.264	Rehabilitation Training - Continuing Education	20,894	15,000	25,066	10,828
	Pass through from University of South Florida and University of Oregon:				
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	4,858	-	10,000	(5,142)
	Pass through from Federated States of Micronesia:				
84.336	Teacher Quality Enhancement Grants	<u>(5,281)</u>	<u>16,572</u>	<u>11,291</u>	<u>-</u>
	U.S. Department of Education Total	<u>\$ (656,539)</u>	<u>15,109,795</u>	<u>14,152,574</u>	<u>300,682</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 2005	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2006
	Direct from U.S. Department of Health and Human Services:				
93.251	Universal Newborn Hearing Screening	\$ 20,253	169,555	149,213	40,595
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	23,327	176,994	157,259	43,062
93.375	Minority Biomedical Research Support	10,747	2,181	12,767	161
93.859	Minority Biomedical Research Support	90,197	68,573	156,932	1,838
93.397	Cancer Centers Support Grants	135,781	417,967	494,473	59,275
93.632	University Centers for Excellence in Developmental Disabilities - Education, Research and Service	48,561	497,798	467,268	79,091
93.864	Dept. of Health & Human Svs./ National Inst. Of Health -Population Research	-	1,620	1,620	-
94.006	Corporation for National & Community Svs. -Americorps	-	94,980	75,645	19,335
	Pass through from Government of Guam Division of Senior Citizens				
93.052	National Family Caregiver Support	(86,107)	519,975	517,412	(83,544)
	Pass through from University of California, San Diego:				
93.866	Aging Research	25,056	910,702	665,266	270,492
	Pass through from Government of Guam Department of Mental Health and Substance Abuse:				
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	84,045	236,549	325,303	(4,709)
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	(9,321)	34,570	33,333	(8,084)
93.243	Substance Abuse & Mental Health Svs. - Suicide Prevention	-	55,855	48,537	7,318
93.243	CES-ECS GDOL/BSP Labor Force	-	-	69,765	(69,765)
93.959	Block Grants for prevention and Treatment of Substance Abuse	441	-	-	441
93.110	Maternal & Child Health Federal Consolidated Progrmas	-	84,220	100,000	(15,780)
	Pass through from Government of Guam Department of Health and Human Services:				
93.256	State Planning Grant - Health Care Access for the Uninsured	(59,128)	238,218	99,111	79,979
	Balance Forward	<u>\$ 283,852</u>	<u>3,509,757</u>	<u>3,373,904</u>	<u>419,705</u>

Supplementary Schedule of Expenditures of Federal Awards, continued
Year ended September 30, 2006

Federal CFDA #	<u>Federal Grantor/Program Title</u>	Accrued (Deferred) Balance at September <u>30, 2005</u>	<u>Expenditures</u>	Cash <u>Receipts</u>	Accrued (Deferred) Balance at September <u>30, 2006</u>
	U.S. Department of Health and Human Services: Balance Forward	\$ 283,852	3,509,757	3,373,904	419,705
	Pass through from Government of Guam Association of Teachers of Preventive Medicine:				
93.283	Centers of Disease Control and Prevention - Investigations and Technical Assistance	97,615	75,633	154,964	18,284
	Pass through from Government of Guam Department of Chamorro Affairs:				
93.587	Promote the Survival and Continuing Vitality of Native American Language	(10,316)	1,406	13,400	(22,310)
	Pass through from Government of Guam Department of Public Health and Social Services:				
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	118,634	322,056	359,927	80,763
	Pass through from Guam Election Commission:				
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	-	-	-
	Pass through from Government of Guam Department of Integrated Services for Individuals with Disabilities:				
93.779	Centers for Medicare and Medicaid Services (CMS) - Research, Demonstrations and Evaluations	<u>2,129</u>	<u>119</u>	<u>-</u>	<u>2,248</u>
	U.S. Department of Health and Human Services Total	<u>491,914</u>	<u>3,908,971</u>	<u>3,902,195</u>	<u>498,690</u>
	Grand Total	<u>\$ 662,492</u>	<u>23,989,206</u>	<u>22,785,625</u>	<u>1,866,073</u>

Note: Basis of Accounting - The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

UNIVERSITY OF GUAM

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

Part I – Summary of Auditor’s Results

1. The Independent Auditor’s Report on the financial statements expressed an unqualified opinion.
2. Two reportable conditions in internal control over financial reporting were identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The Independent Auditor’s Report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The University’s major programs were as follows:

<u>CFDA</u> <u>Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
10.203	Payments to Agricultural Experimental Stations under the Hatch Act	\$ 810,514
10.500	Cooperative Extension Service	999,560
93.866	Aging Research	910,702
<u>Student Financial Aid Cluster</u>		
84.007	Federal Supplemental Education Opportunity Grants	130,748
84.063	Federal Pell Grant Program	3,894,005
84.033	Federal Work-Study Program	460,604
84.268	Federal Direct Loan	531,447
84.032	Federal Family Education Loans	5,723,847
84.235T	Rehabilitative Services – Demonstration and Training	834,701
93.596	Child Care Mandatory and Matching Funds	322,056

8. A threshold of \$717,602 was used to distinguish between Type A and Type B programs.
9. The university is qualified as low-risk auditee as that term is defined in OMB Circular A-133.

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Part II – Financial Statement Findings Section

Finding No. 2006-01 – Internal Controls - Financial Aid Office

Criteria

There are five elements of an internal control system. Two of the elements are risk assessment and control activities. The internal control system should provide for an assessment of the risks the agency faces from both external and internal sources. Control activities should be effective and efficient in accomplishing the agency's control objectives.

Condition

In one of twenty six items tested (3.85%), a student obtained money allegedly under the Pell Grant program without meeting the eligibility requirements and using non-federal funds. This student was a UOG employee at the time of the incident and is no longer employed at the University. The student repaid the amount in approximately sixty days.

Cause

This person overrode the existing internal control system, which has certain deficiencies in practice, including allowing counselors to call in names that were not on the approved listing forwarded by the Financial Aid Office, allowing counselors to delete award amounts posted in the financial system, and not requiring the documentation of supervisory approval of Pell Grant awards to UOG Financial Aid Office employees.

Effect

The person's name was never submitted to the grantor for reimbursement; thus no Federal money was put at risk or used. The student returned monies received within approximately sixty days of receipt. Neither UOG nor the Federal government suffered any monetary loss; accordingly, this finding is documented as an internal control weakness and not as a finding related to a Federal grant program.

Recommendation

We have several recommendations, as follows:

- (1) The practice of calling in names, which eventually leads to processing of check payment, should be discontinued.

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- (2) Supervisory approval should be required for all types of awards entered into or removed from the financial system; this includes federal, local, and private scholarship awards.
- (3) Management approval should be required for all types of awards, including federal, local, and private scholarship awards, granted to employees involved in the financial aid and accounting process.

Auditee Response/Corrective Action Plan

Finding 2006-01: We agree with the finding and recommendations. The individual involved is no longer employed with the University. Internal control has been strengthened to implement recommendation 1 beginning May 2007, and recommendations 2 and 3 beginning June 2007.

Finding No. 2006-02 – Internal Controls - Business Office

Criteria

There are five elements of an internal control system. Two of the elements are risk assessment and control activities. The internal control system should provide for an assessment of the risks the agency faces from both external and internal sources. Control activities should be effective and efficient in accomplishing the agency's control objectives.

Condition

We selected 26 Stafford loan disbursements for testing. Although we did not discover any reportable items in our testing (-0-%), we became aware that certain UOG employees, who are also students, did receive Stafford loans. We brought this to the attention of the Director of the Financial Aid Office, who then proceeded to look into all Stafford loans granted to UOG employees.

There was one incident where it appears that a UOG employee/student obtained a Stafford loan directly from a financial institution, providing a forged certification that listed the University of Guam as the educational institution being attended. The employee/student received two checks for the loan proceeds, made payable jointly to the employee/student and to UOG. The employee/student presented the checks to a UOG cashier, who verified that the student did not owe UOG any tuition or fees, and used an endorsement stamp to endorse the checks.

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

Cause

The student appears to have submitted a fraudulent certification. Additionally, we see a problem in the communication between the Business Office and the Financial Aid Office, and in the handling of checks when it is determined that the student does not owe any money to UOG.

Effect

There is a potential loss for the grantor, if the former employee does not repay the loan. UOG neither actively participated in the application process nor disbursed any of its own funds. Accordingly, this finding is documented as an internal control weakness and not as a finding related to a Federal grant program.

Recommendation

It is difficult to prevent intentional override of a system of internal controls. Likewise, it is difficult to prevent fraud. The best an entity can do is to design an internal control system that will reduce the risk of overrides and frauds.

We recommend that all Stafford loan proceeds checks be deposited intact by the UOG Business Office, and not endorsed and immediately released to the student. We also recommend that before the balance is refunded to the student, a UOG Business Office staff member must verify with the UOG Financial Aid office that the student was eligible for a Stafford loan, made the proper application, and was certified as being eligible by a valid Financial Aid Office employee.

We reiterate our recommendation #3 under finding 2006-01 that awards granted to UOG employees involved in the financial aid and accounting process should undergo more stringent scrutiny than for other UOG employees or for non-employees.

Auditee Response/Corrective Action Plan

Finding 2006-02: We agree with the finding and recommendations. The individual involved is no longer employed with the University. Internal control has been strengthened to implement recommendation of depositing all financial awards and verifying with the Financial Aid Office student eligibility of awards beginning May 2007.

Part III – Federal Award Findings and Questioned Cost Section

No matters are reportable.

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

Finding Number 2005-1

This finding related to Stafford loans. A student obtained a Stafford loan and was later found not to meet the academic progress requirement, so the award was cancelled. No similar instances were noted in the fiscal year 2006 audit. The corrective action plan stated in the fiscal year 2005 Schedule of Findings and Questioned Costs has been implemented. Accordingly, this finding is considered resolved.