

GUAM COMMUNITY COLLEGE

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

SEPTEMBER 30, 2005

**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, a component unit of the Government of Guam, as of and for the year ended September 30, 2005, and have issued our report thereon dated June 2, 2006. 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 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the Guam Community College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-01.

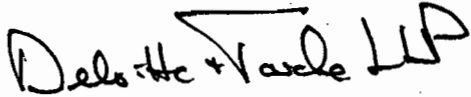
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and 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 the reportable condition described above is not a material weakness.

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 June 2, 2006.

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.

Handwritten signature of Deloitte + Touche LLP in black ink.

June 2, 2006

**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, 2005. 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.

In our opinion, Guam Community 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, 2005.

Internal Control Over Compliance

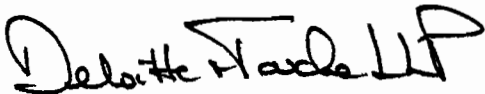
The management of Guam Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Guam Community College's internal control over compliance with requirements that could have a direct and material effect on major federal programs 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.

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 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 basic financial statements of the Guam Community College, as of and for the year ended September 30, 2005, and have issued our report thereon dated June 2, 2006. 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.

A handwritten signature in black ink, appearing to read "Deloitte Touche LLP", is written over the printed name of the firm.

June 2, 2006

GUAM COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 2004	Expenditures	Cash Receipts	Adjustment	Accrued (Deferred) Balance at September 30, 2005
U.S. Department of Education (DOE) (Direct Programs):						
84.002A	Adult Education - State Administration Basic Grant Program	\$ 79,166	\$ 286,285	\$ (312,693)	\$ (1,379)	\$ 51,379
84.007	Federal Supplemental Education Opportunity Grants	(1,155)	55,460 *	(54,470)	-	(165)
84.031A	Title III-Strengthening Institution Program	1,366	-	-	-	1,366
84.033	Federal Work-Study Program	16,630	82,268 *	(88,093)	(2,002)	8,803
84.042A	Student Support Services	42,085	260,969	(269,339)	(509)	33,206
84.048A	Vocational Education - Basic Grants to States	51,733	412,749	(407,579)	2	56,905
84.063	Federal Pell Grant Program	34,858	2,525,532 *	(2,547,898)	17	12,509
84.346	Career Resource Network State Grant	14,494	86,994	(101,230)	(373)	(115)
84.044	Talent Search	64,210	202,452	(209,227)	618	58,053
	Total U.S. Department of Education (Direct Programs)	303,387	3,912,709	(3,990,529)	(3,626)	221,941
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	412,122	303,638	(145,930)	(105,760)	464,070 **
20.600	Department of Public Works:					
	EMS Training Course '00	(6,800)	-	-	-	(6,800) **
	Governor's Community Outreach	236	-	-	(236)	***
	Hazard Mitigation Grant	-	156,100 *	-	-	156,100 **
	Total Pass-through grants	360,009	459,738	(145,930)	(105,996)	567,821
	Total Federal Assistance	\$ 663,396	\$ 4,372,447	\$ (4,136,459)	\$ (109,622)	\$ 789,762

* Denotes a major program as defined by OMB Circular A-133.
** Recorded in other receivables in the financial statements.
*** The adjustments are to correct the recording of federal expenditures.

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, 2005

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. A reportable condition in internal control over financial reporting was identified which was not considered to be a material weakness.
3. No instances of noncompliance considered material to the financial statements were 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 auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified 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
Hazard Mitigation Grant	97.039

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>
2005-01	Capitalization Policy	\$ -

Part III - Federal Award Findings and Questioned Cost Section

No matters are reportable.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2005

Finding No.: 2005-01
Area: Capitalization Policy

Criteria:

In accordance with College capitalization policy, fixed assets acquired above \$5,000 are capitalized. As a general rule, associated construction costs that are capitalizable in nature should be recorded as construction in progress until such time that the projects are completed and transferred to fixed assets.

Condition:

There have been improvements and construction of new buildings. While there have been construction projects completed and still in progress at the end of the year, we noted that related project costs totaling \$2,158,502 were recorded as expenditures. These amounts were adjusted and capitalized during the audit.

Cause:

The cause of the condition is that the College did not comply with its capitalization policy.

Effect

The College is not in compliance with its capitalization policy.

Recommendation:

We recommend that the capitalization policy be followed to better ensure that capitalizable assets are captured and recorded.

Auditee Response:

Management recognizes the need to capitalize construction costs in a timely manner. Such costs will be evaluated on a periodic basis to ensure that the fixed and long lived assets above \$5,000 are capitalized and recorded within proper accounting periods.

GUAM COMMUNITY COLLEGE

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2005**

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