

UNIVERSITY OF GUAM

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

YEAR ENDED SEPTEMBER 30, 2002

UNIVERSITY OF GUAM
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2002
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON THE 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, 2002, and for the year then ended, and have issued our report thereon dated May 6, 2003. 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.

Compliance

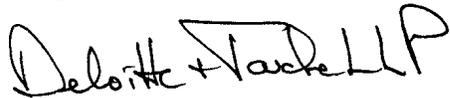
As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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*.

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 assurance on the internal control over financial reporting. However, we noted certain matters involving 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 the University's ability to record, process, summarize 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 items 2002-01, 2002-02 and 2002-03.

A material weakness is a 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 none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Regents and management of the University 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 these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

May 6, 2003

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**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**

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, 2002. The University'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 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 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 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 on the University's compliance with those requirements.

As described in items 2002-04 and 2002-05 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with requirements regarding reporting and procurement that are applicable to its Development Disabilities University Affiliated Program and Minority Biomedical Research Support Program (CFDA No. 93.632 and 93.375, respectively). Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University 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, 2002.

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 internal control over compliance in accordance with OMB Circular A-133.

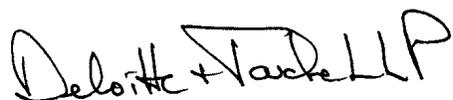
We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-04 and 2002-05.

A material weakness is a 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. 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 financial statements of the University as of and for the year ended September 30, 2002, and have issued our report thereon dated May 6, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary 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 financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the 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, 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 these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

May 6, 2003

UNIVERSITY OF GUAM

Summary of Schedules of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2002

<u>Federal Grantor Agency</u>	Accrued (Deferred) Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
U.S. Department of Agriculture	\$ 210,788	\$ 2,449,205	\$ 2,462,132	\$ 197,861
U.S. Department of Commerce	154,749	207,662	334,411	28,000
U.S. Department of Defense	-	56,069	64,000	(7,931)
U.S. Department of the Interior	202,810	189,253	327,689	64,374
National Foundation of Arts and the Humanities	4	-	-	4
National Science Foundation	65,606	178,408	211,003	33,011
Small Business Administration	124,673	421,037	436,334	109,376
U.S. Environmental Protection Agency	138,847	181,648	236,893	83,602
U.S. Department of Education	1,142,007	10,420,489	11,167,209	395,287
U.S. Department of Health and Human Services	211,972	1,736,021	1,529,941	418,052
 GRAND TOTAL	 <u>\$ 2,251,456</u>	 <u>\$ 15,839,792</u>	 <u>\$ 16,769,612</u>	 <u>\$ 1,321,636</u>
 Federal awards received:				
Direct from Federal agency	\$ 2,201,894	\$ 15,158,722	\$ 15,961,945	\$ 1,398,671
Pass Through	<u>49,562</u>	<u>681,070</u>	<u>807,667</u>	<u>(77,035)</u>
	 <u>\$ 2,251,456</u>	 <u>\$ 15,839,792</u>	 <u>\$ 16,769,612</u>	 <u>\$ 1,321,636</u>

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of Agriculture:					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 1,986	\$ 1,986	\$ 1,207	\$ 3,193	\$ -
10.202	Cooperative Forestry Research	4,311	4,311	35,807	39,800	318
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	32,956	32,956	822,441	717,757	137,640
10.206	Grants for Agricultural Research: Competitive Research Grants	(2,451)	(2,451)	-	-	(2,451)
10.500	Cooperative Extension Service	40,575	40,575	1,077,578	1,209,469	(91,316)
10.855	Distance Learnings and Telemedicine Loans and Grants	78,139	78,139	(1,695)	54,503	21,941
10.903	Soil Survey	1,607	1,607	-	1,607	-
10.912	Environmental Quality Incentives Program	4,103	4,103	-	(4,164)	8,267
10.769	Rural Business Enterprise Grants	-	-	42,382	-	42,382
	Pass-through from:					
	University of Hawaii at Manoa:					
10.200	Grants for Agricultural Research, Special Research Grants	43,784	43,784	471,485	434,189	81,080
	Guam Department of Agriculture:					
10.664	Cooperative Forestry Assistance	5,778	5,778	-	5,778	-
	Department of Agriculture Total	210,788	210,788	2,449,205	2,462,132	197,861

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of Commerce:					
11.417	Sea Grant Support	\$ 67,370	\$ 67,370	\$ 56,000	\$ 95,370	\$ 28,000
11.550	Public Telecommunications Facilities: Planning and Construction	87,379	87,379	151,662	239,041	-
	Department of Commerce Total	154,749	154,749	207,662	334,411	28,000

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of Defense:					
12.630	Basic Applied and Advanced Research in Science and Engineering	\$ -	\$ -	\$ 56,069	\$ 64,000	\$ (7,931)
	Department of Defense Total	-	-	56,069	64,000	(7,931)

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of the Interior:					
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	\$ 8,654	\$ 8,654	\$ 2,907	\$ 11,561	\$ -
15.805	Assistance to State Water Resources Research Institutes	194,156	194,156	186,346	316,128	64,374
	Department of the Interior Total	202,810	202,810	189,253	327,689	64,374

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from National Foundation of Arts and Humanities					
45.164	Promotion of Humanities: Public Programs	\$ 4	\$ 4	\$ -	\$ -	\$ 4
	National Foundation of Arts and Humanities Total	4	4	-	-	4

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from National Science Foundation:					
47.050	Geosciences	\$ 17,102	\$ 17,102	\$ 56,951	\$ 67,663	\$ 6,390
47.074	Biological Sciences	48,504	48,504	101,739	123,817	26,426
47.076	Education and Human Resources	(10,000)	-	19,718	19,523	195
	National Science Foundation Total	<u>55,606</u>	<u>65,606</u>	<u>178,408</u>	<u>211,003</u>	<u>33,011</u>

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Small Business Administration:					
59.037	Small Business Development Center	\$ 124,673	\$ 124,673	\$ 421,037	\$ 436,334	\$ 109,376
	Small Business Development Center Total	<u>124,673</u>	<u>124,673</u>	<u>421,037</u>	<u>436,334</u>	<u>109,376</u>

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Environmental Protection Agency					
66.500	Environmental Protection: Consolidated Research	\$ 106,539	\$ 106,539	\$ 181,816	\$ 204,753	\$ 83,602
66.606	Surveys, Studies, Investigations and Special Purpose Grants	<u>32,308</u>	<u>32,308</u>	<u>(168)</u>	<u>32,140</u>	<u>-</u>
	Environmental Protection Agency Total	<u>138,847</u>	<u>138,847</u>	<u>181,648</u>	<u>236,893</u>	<u>83,602</u>

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of Education:					
84.007	Federal Supplemental Educational Opportunity Grants	\$ -	\$ -	\$ 90,492	\$ 90,492	\$ -
84.032	Federal Family Educational Loans	-	-	436,074 *	379,557	56,517
84.033	Federal Work-Study Program	49,033	49,033	452,733 *	435,221	66,545
84.042	TRIO: Student Support Services	47,986	47,986	249,508	262,107	35,387
84.044	TRIO: Talent Search	35,244	35,244	277,612	282,823	30,033
84.047	TRIO: Upward Bound	52,330	52,330	439,085	429,025	62,390
84.063	Federal Pell Grant Program	423,845	423,845	3,427,844 *	3,828,270	23,419
84.195	Bilingual Education: Professional Development	23,728	23,728	44,903	64,195	4,436
84.224	Assistive Technology	13,676	13,676	103,142 *	100,599	16,219
84.268	Federal Direct Loan	418,017	418,017	4,227,176 *	4,655,532	(10,339)
84.288	Bilingual Education Program Development and Implementation Grants	-	-	117,966 *	93,715	24,251
84.325	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	22,806	22,806	207,829 *	188,909	41,726
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	55,342	55,342	346,125	356,764	44,703
	Department of Education Total	<u>1,142,007</u>	<u>1,142,007</u>	<u>10,420,489</u>	<u>11,167,209</u>	<u>395,287</u>

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

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

UNIVERSITY OF GUAM

Supplementary Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2002

Federal CFDA #	Federal Grantor/Program Title	Audited Balance at September 30, 2001	Revised Accrued Balance at September 30, 2001	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2002
	Direct from Department of Health and Human Services:					
93.230	Consolidated Knowledge Development and Application (KD&A) Program	\$ 33,179	\$ 33,179	\$ 54,725	\$ 63,814	\$ 24,090
93.251	Universal Newborn Hearing Screening	-	-	18,791	-	18,791
93.375	Minority Biomedical Research Support	123,404	123,404	1,060,780 *	780,882	403,302
93.632	Development Disabilities University Affiliated Programs	55,389	55,389	378,990 *	310,526	123,853
93.864	Population Research	-	-	13,150	7,019	6,131
	Pass through from:					
	Government of Guam Division of Senior Citizens					
	Department of Public Health and Social Services:					
93.044	Special Programs for the Aging, Title IIIB: Grants for Supportive Services and Senior Centers	-	-	209,585	367,700	(158,115)
	Department of Health and Human Services Total	<u>211,972</u>	<u>211,972</u>	<u>1,736,021</u>	<u>1,529,941</u>	<u>418,052</u>
	Grand Total	<u>\$ 2,241,456</u>	<u>\$ 2,251,456</u>	<u>\$ 15,839,792</u>	<u>\$ 16,769,612</u>	<u>\$ 1,321,636</u>

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

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

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2002

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 identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. 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 a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The University's major programs were as follows:

<u>CFDA Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
84.224A	State Grant for Assistive Technology	\$ 103,143
84.288S	Bilingual Education Program Developments and Implementation Grants	117,966
84.325E	Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	207,829
93.375	Minority Biomedical Research Support	1,060,780
93.632	Development Disabilities University Affiliated Program	378,990
<u>Student Financial Aid Cluster</u>		
84.033	Federal Work-Study Program	452,733
84.063	Federal Pell Grant Program	3,427,844
84.268	Federal Direct Loan	4,227,176
84.032	Federal Family Education Loan	436,074

8. A threshold of \$475,716 was used to distinguish between Type A and Type B programs.
9. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2002-01	Advances Outstanding Over a Year	\$ -
2002-02	Fixed Assets Physical Existence Testing	\$ -
2002-03	Travel	\$ -

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2002-04	Reporting	\$ -
2002-05	Procurement	\$17,999

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Finding No. 2002-01
CFDA No.: N/A
Area: Advances Outstanding Over a Year
Questioned Cost: \$0

Criteria:

Advances to vendors should be cleared in a timely manner.

Condition:

Advances to vendors recorded in the following account numbers have been outstanding for more than a year.

10-17000	\$ 9,114
22-17000	545
23-17000	1,290
24-17000	<u>57,499</u>
Total	\$ <u>68,448</u>

Cause

Advances to vendors are not reconciled in a timely manner.

Effect

No material effect on the financial statements occurs as a result of this condition.

Recommendation:

Advances to vendors should be followed up and cleared in a timely manner.

Auditee Response:

We concur. Follow up with departments and vendors were made. Vendors did not respond when we ask for invoices. Some vendors cannot produce invoices two years older because their files are purged. We will ask the departments involved to give us a memo stating that goods and services has been received and clear the advances.

Corrective Action Plan:

In addition to existing procedures, outstanding advances will be given a statute of limitation. In the future, procedures for requiring departments to respond in a timely manner will involve the appropriate Dean/Director or Vice President in order to better force a response.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2002

Finding No. 2002-02
CFDA No.: N/A
Area: Fixed Assets Physical Existence Testing
Questioned Cost: \$0

Criteria:

Obsolete or unused fixed assets should be identified and disposed of in an appropriate manner.

Condition:

An underwater camera system, property number: 06-1150-02, was found to be unused and obsolete. The camera system requires a boat equipped with a crane to be used, which the University initially had but does not currently possess and does not plan to acquire in the future.

Cause

The camera system was purchased in 1985 with local funds and was initially used by a professor who no longer is employed at the University.

Effect

There is no effect in the financial statements as the asset was fully depreciated.

Recommendation:

Obsolete or unused fixed assets should be identified and disposed of in an appropriate manner.

Auditee Response:

We concur. The Marine Lab tried to find parties interested in buying the underwater camera system but was not successful, due to its obsolescence. Finding the item to be worthless and obsolete, the Marine Lab should have informed Business Office so the item could be removed from the books.

Corrective Action Plan:

The underwater camera system will be removed from the inventory list and will be disposed of in accordance with UOG Procurement regulations. In the future, annual or semi-annual assessments will be made of all excess supplies and old or damaged equipment to ensure there is no item carried on the books that is deemed unusable or obsolete. Also, departments will be instructed to inform Business Office in a timely manner whenever the assessment of the apparent value or usefulness of an asset has changed.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Finding No. 2002-03
CFDA No.: N/A
Area: Travel
Questioned Cost: \$0

Criteria:

The University’s Travel Policy Section 16 requires that travel clearances be filed within ten days of the traveler’s return.

Condition:

The following travel clearances were not filed within ten days of return from travel:

<u>CFDA#</u>	<u>W/P Ref</u>	<u>Purchase Order #</u>	<u>Amount</u>
84.224	4311.2	PA200236	\$ 1,747.50
84.224	4851	J015478	1,519.56
84.224	4851	PA200454	<u>1,475.00</u>
			\$ <u>4,742.06</u>

Cause

The cause of the above condition appears to be noncompliance with established policies and procedures.

Effect

No effect on the financial statements result from this finding.

Recommendation:

Compliance with the criteria should occur.

Auditee Response:

We concur. The travel coordinator has made constant follow-ups with travelers, but for unknown reasons the responses have not been timely.

Corrective Action Plan:

No processing of new travel requests will be granted to travelers if their past travel authorizations are not cleared within ten (10) working days after the travel is completed. The Comptroller will issue a memo regarding this corrective action plan to the University community.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs Year Ended September 30, 2002

Finding No. 2002-04
CFDA No.: 93.632
Area: Reporting
Questioned Cost: \$0

Criteria:

In accordance with the Department of Health and Human Services grant award, progress reports are due thirty days after the end of the second and fourth quarters of the budget period.

Condition:

Per review of the progress report for the period Jan. 1 – June 30, 2002, it appears that the report was filed on Sept. 21, 2003, 52 days late.

Cause

The progress report was submitted late due to typhoon Chata'an and the lack of power.

Effect

Noncompliance with filing the progress reports in a timely manner exists.

Recommendation:

The grantor agency should be contacted if the required progress report is not submitted by the required due date.

Auditee Response:

We concur. Typhoon Chata'an devastated Guam on July 3, 2003. For several months the Guam CEDDERS and the University of Guam experienced lack of electrical power, water, telephone and Internet access. In addition, we were faced with cleaning up damaged CEDDERS property including flooded offices, broken windows and damaged equipment. CEDDERS was unable to complete the annual report for the Core Grant (reporting period January 1 – June 30, 2003) due to the lack of sufficient resources including electricity, water and telephone/internet access.

Corrective Action Plan:

Due to the nature of the delay in submitting the report in a timely manner, this is an isolated incident and subsequent reports have and will be submitted on or before the due date. The Guam CEDDERS Director has acknowledged this.

UNIVERSITY OF GUAM

Schedule of Findings and Questioned Costs
Year Ended September 30, 2002

Finding No. 2002-05
CFDA No.: 93.375
Area: Procurement
Questioned Cost: \$17,999

Criteria:

Federal procurement standards require that procurement transactions be conducted in a manner to provide open and free competition.

Condition:

The following purchase order did not contain sufficient documentation supporting the determination of sole source procurement.

<u>CFDA#</u>	<u>W/P Ref</u>	<u>Purchase Order #</u>	<u>Amount</u>	<u>Description</u>
93.375	4881	P2100387	\$17,999.00	Lab Equipment, Varian 3900 Gas Chromatograph With 8410 Auto injector and Star PC Workstation with Ethernet communications

Cause

The University’s procurement department and grant agencies appear to lack an understanding of federal procurement guidelines.

Effect

Noncompliance with Federal procurement standards and possible questioned costs result from this condition.

Recommendation:

Expenditures should be in compliance with the University’s and federal procurement guidelines. Proper procurement documentation should be prepared and obtained prior to procuring goods and services.

Auditee Response:

We concur. Although the department provided to Procurement Office the reasoning regarding the sole source purchase, such evidence is apparently after the fact.

Corrective Action Plan:

Since first occupying their present positions (post FY02), the Vice President for Finance and Administration, the Comptroller and the University Legal Counsel have read and reread the University’s Procurement Rules and Regulations in order to fully understand them and the controls that should be put in place in order to ensure all activities adhere to such rules and regulations. Full compliance by the University Community is expected and required. Numerous purchase requisitions with insufficient documentation of justification have been held or turned away. No PO receives final approval, until the deficiencies are corrected and all proper documentation is on file. This is the way of the current administration.

UNIVERSITY OF GUAM

Summary Schedule of Prior Audit Findings Year Ended September 30, 2002

Finding Number 01-01:

This finding is considered resolved. Counselors have been advised to ensure that proper documentation regarding entrance/exit interviews are performed.
Procurement, administration and finance staff attended procurement procedures training.

Finding Number 01-02:

This finding is considered resolved. Uncollectible accounts receivable were written off in FY 2002.

Finding Number 01-03:

This finding is considered resolved. The prepaid subscriptions and maintenance agreements were cleared in FY 2002.

Finding Number 01-04:

This finding is not considered resolved. The University has liquidated a majority of the advances cited in FY 2001. However, long outstanding advances have been cited in FY 2002 at finding number 2002-01.