

**GUAM COMMUNITY COLLEGE**

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL**

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**SEPTEMBER 30, 2000**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING 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, 2000, and have issued our report thereon dated June 15, 2001. 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 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*.

**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 assurance on the internal control over financial reporting. However, we noted a matter involving 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 general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-02.

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 the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Trustees and management of the Guam Community College, 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.

*Deloitte + Stach LLP*

June 15, 2001



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE  
TO EACH MAJOR FEDERAL AWARD PROGRAM**

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, 2000. 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 (pages 6 through 10). 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 00-01 and 00-02 in the accompanying Schedule of Findings and Questioned Costs, the Guam Community College did not comply with requirements regarding indirect cost allocations. In our opinion, it is necessary that Guam Community College comply with requirements applicable to its federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Guam Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2000.

### 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.

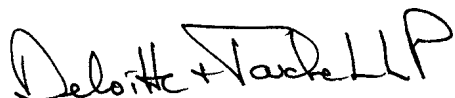
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Guam Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-01.

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 condition described above is not a material weakness.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Community College, as of and for the year ended September 30, 2000, and have issued our report thereon dated June 15, 2001. Our audit was performed for the purpose of forming an opinion on the 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 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 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 for the information of the Board of Trustees and management of the Guam Community College, 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized, with the "D" and "T" being particularly large and prominent.

June 15, 2001

# GUAM COMMUNITY COLLEGE

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2000

| CFDA #                                                | Federal Grantor/Program Title                              | Accrued (Deferred)<br>Balance at<br>September<br>30, 1999 | Expenditures        | Cash Receipts         | Adjustment      | Accrued (Deferred)<br>Balance at<br>September<br>30, 2000 |
|-------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------|---------------------|-----------------------|-----------------|-----------------------------------------------------------|
| U.S. Department of Education (DOE) (Direct Programs): |                                                            |                                                           |                     |                       |                 |                                                           |
| 84.002A                                               | Adult Education - State Administration Basic Grant Program | \$ 21,771                                                 | \$ 315,176          | \$ (289,750)          | \$ -            | \$ 47,197                                                 |
| 84.007                                                | Federal Supplemental Education Opportunity Grants          | (613)                                                     | 21,990              | *                     | (22,532)        | -                                                         |
| 84.031A                                               | Title III-Strengthening Institution Program                | 59,680                                                    | 98,367              | (156,758)             | 77              | *** 1,366                                                 |
| 84.033                                                | Federal Work-Study Program                                 | 26,436                                                    | 67,651              | *                     | (83,244)        | -                                                         |
| 84.042A                                               | Student Support Services                                   | 16,310                                                    | 224,724             | (231,260)             | 2,836           | *** 12,610                                                |
| 84.048A                                               | Vocational Education - Basic Grants to States              | 58,618                                                    | 446,837             | *                     | (456,403)       | 1 *** 49,053                                              |
| 84.063                                                | Federal Pell Grant Program                                 | (4,358)                                                   | 1,133,595           | *                     | (1,118,520)     | (343) *** 10,374                                          |
| Total U.S. Department of Education (Direct Programs)  |                                                            | <u>177,844</u>                                            | <u>2,308,340</u>    | <u>(2,358,467)</u>    | <u>2,571</u>    | <u>130,288</u>                                            |
| Pass-through from:                                    |                                                            |                                                           |                     |                       |                 |                                                           |
| 1.088/GEN-73                                          | University of Guam                                         | (45,549)                                                  | -                   | -                     | -               | (45,549)                                                  |
| 84                                                    | Department of Education Federal Programs                   | 398,358                                                   | 394,947             | (487,965)             | -               | 305,340 *                                                 |
| 83.544                                                | Federal Emergency Management Agency:                       |                                                           |                     |                       |                 |                                                           |
|                                                       | Public Assistance Grants                                   | 57,323                                                    | -                   | -                     | -               | 57,323                                                    |
| 20.600                                                | Department of Public Works:                                |                                                           |                     |                       |                 |                                                           |
|                                                       | EMS Training Course '00                                    | -                                                         | 9,555               | -                     | -               | 9,555 *                                                   |
| Total Pass-through grants                             |                                                            | <u>410,132</u>                                            | <u>404,502</u>      | <u>(487,965)</u>      | <u>-</u>        | <u>326,669</u>                                            |
| Total Federal Assistance                              |                                                            | <u>\$ 587,976</u>                                         | <u>\$ 2,712,842</u> | <u>\$ (2,846,432)</u> | <u>\$ 2,571</u> | <u>\$ 456,957</u>                                         |

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

\*\* Recorded in restricted-other receivables in the financial statements.

\*\*\* The adjustments are the result of correcting the beginning balance of accounts receivable.

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, 2000

### 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. 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, none of which are 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<br>84.033<br>84.063 |
| U.S. Department of Education - Vocational Education  | 84.048A                    |

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 did not qualify 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> |
|-------------------------|-----------------|-------------------------|
| 00-02                   | Recording       | \$ -                    |

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

| <u>Reference Number</u> | <u>Findings</u> | <u>Questioned Costs</u> |
|-------------------------|-----------------|-------------------------|
| 00-01                   | Indirect Costs  | \$ 14,594               |

## GUAM COMMUNITY COLLEGE

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

| <u>Item No.</u> | <u>CFDA No.</u> | <u>Criteria:</u>                                                                                                                                                                                            | <u>Questioned Costs</u> |
|-----------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 00-01           | 84.042          | Colleges and universities are required to enter into agreements which enable institutions to designate a stated percentage of expenditures as indirect costs, if indirect costs are to be actually claimed. | \$ 14,594               |

#### Condition:

Indirect costs of \$14,594 were charged to the program without an approved indirect cost agreement.

|                          |           |
|--------------------------|-----------|
| Student Support Services | \$ 14,594 |
|--------------------------|-----------|

#### Cause:

The cause of this condition is unknown.

#### Effect:

A questioned cost of \$14,594 results from this condition.

#### Recommendation:

The College should prepare and submit an indirect cost rate proposal (IDCRP) to the cognizant agency.

#### Auditee Response dated July 9, 2001:

The College prepared a Facilities and Administrative Cost Allocation Study for FY 1998 and FY 1999. These were prepared utilizing the simplified procedure utilizing a Salaries and Wages Base. These were submitted to the US Department of the Interior on March 9, 2001. At Approximately the same time the College located within the US Department of Education an expert who said it would have been better to have prepared the submission based on total direct cost. However this expert assured the College that there was no need to resubmit because it was highly unlikely that there would be a significant difference between a submission based on salaries and wages and on total direct cost. Since the amount that can be collected on training grants is only 8%, this was an academic exercise anyway.



# GUAM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

| <u>Item No.</u> | <u>CFDA No.</u> | <u>Auditee Response dated July 9, 2001, Continued:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <u>Questioned Costs</u> |
|-----------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 00-01           | 84.042          | On May 16, 2001 the US Department of the Interior accepted the College proposal and certified the rate for fiscal years 1998, 1999, 2000, 2001 and 2002. The rate was for 47.07%. However, the Department of Interior indicated the rate could only be applied to salaries and wages. The College chose to withdraw its submission because this would mean a difference in the amount that could be actually collected. This is because the 8% rate would only be applied to salaries and wages. The College is in the process of preparing a submission based on total direct cost. The College Business Office will complete and send the submission to the US Department of the Interior before the end of July 2001. | \$ 14,594               |

# GUAM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

| <u>Item No.</u> | <u>CFDA No.</u> | <u>Criteria:</u>                                                                                                                                 | <u>Questioned Costs</u> |
|-----------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 00-02           | N/A             | In accordance with accounting principles generally accepted in the United States of America, expenses should be recorded in the period incurred. | \$ -                    |

### Condition:

In eight (or 16%) out of fifty-one expenditures tested, the services/purchases were received and invoiced prior to October 1, 1999, but was recorded as a fiscal year 2000 expenditure:

| <u>P.O. #'s</u> | <u>Amount</u>     |
|-----------------|-------------------|
| 99C016          | \$ 34,670         |
| 990057          | 16,732            |
| 990057          | 45,749            |
| MM0022          | <u>12,191</u>     |
|                 | \$ <u>109,342</u> |

### Cause:

This condition was caused by the delay in processing of the documents.

### Effect:

This condition causes the expenditure accounts to be overstated.

### Recommendation:

We recommend that documents be properly submitted to the accounting department in a timely manner to ensure recordation in the proper period.

### Auditee Response dated July 9, 2001:

The College Business Office has a policy of closing its books of record to standard transaction processing by the middle of October. Extraordinary items will be processed through the end of October.

# GUAM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2000

| <u>Item No.</u> | <u>CFDA No.</u> | <u>Auditee Response dated July 9, 2001, Continued:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>Questioned Costs</u> |
|-----------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 00-02           | N/A             | <p>The invoice on the first item was received in the Business Office on December 16, 1999. The College Business Office believes that the person responsible for the management of the related contract did not approve the payment until December because the deliverables in the contract had not been completed until December. However the Business Office will alert personnel responsible for contract management to clearly identify when deliverables are completed. This will be made part of the annual close memo.</p> <p>Items two through four relate to invoices from the Guam Power Authority.</p> <p>The invoice on item two was received at the Guam community College on 2/1/2000.</p> <p>The invoice on item three was received at Guam Community College on 11/30/1999.</p> <p>The invoice on item four was received at Guam Community College on 2/1/2000.</p> <p>All items were immediately paid when the invoices were received. The College has spoken to the Guam Power Authority about the timeliness of the GPA invoices.</p> | \$ -                    |

## **GUAM COMMUNITY COLLEGE**

### **Resolution of Prior Years' Findings and Questioned Costs Year Ended September 30, 2000**

The status of unresolved questioned costs from prior year Single Audit Reports is as follows:

|                                                                                                                |                    |
|----------------------------------------------------------------------------------------------------------------|--------------------|
| Questioned Costs per the September 30, 1999, 1998, 1997 and 1990<br>audit reports                              | \$ 139,924         |
| Questioned Costs per the September 30, 2000 audit report                                                       | 14,594             |
| Adjustment for the 1990 questioned cost which reduces prior questioned<br>costs for amounts less than \$10,000 | ( <u>101,094</u> ) |
| Total unresolved questioned costs as of September 30, 2000                                                     | \$ <u>53,424</u>   |

## GUAM COMMUNITY COLLEGE

### Schedule of Programs Selected for Audit in Accordance with OMB Circular A-133 Year Ended September 30, 2000

The following list specifies programs selected for compliance testing in accordance with applicable OMB Circular A-133 requirements.

| <u>CFDA Number</u> | <u>Grant Title</u>                               | <u>Expenditures</u> |
|--------------------|--------------------------------------------------|---------------------|
| 84.007             | Federal Supplemental Education Opportunity Grant | \$ 21,990           |
| 84.033             | Federal Work - Study Program                     | 67,651              |
| 84.063             | Federal Pell Grant Program                       | 1,133,595           |
| 84.048             | Vocational Education - Basic Grants to States    | <u>446,837</u>      |
|                    | Total federal award expenditures tested          | \$ <u>1,670,073</u> |
|                    | Total federal award expenditures                 | \$ <u>2,712,842</u> |
|                    | Percentage of total tested                       | 62%                 |

**GUAM COMMUNITY COLLEGE**

Reconciliation of Total Restricted Expenditures with Total Federal Award Expenditures  
Year Ended September 30, 2000

|                                                              |                     |
|--------------------------------------------------------------|---------------------|
| Total expenditures per Schedule of Federal Awards            | \$ 2,712,842        |
| Other non-federal restricted fund expenditures and transfers | <u>2,286,603</u>    |
| Total restricted fund expenditures                           | \$ <u>4,999,445</u> |