

GUAM COMMUNITY COLLEGE

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

SEPTEMBER 30, 2004

**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, 2004, and have issued our report thereon dated June 27, 2005. 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

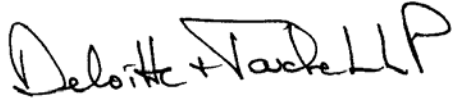
In planning and performing our audit, we considered the Guam Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted 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 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 conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-01 and 04-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 conditions described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guam Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

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

June 27, 2005

**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, 2004. Guam Community College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Guam Community College's management. Our responsibility is to express an opinion on Guam Community College's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guam Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Guam Community College's compliance with those requirements.

As described in items 04-01 and 04-02 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with activities allowed or unallowed and special tests and provisions that are applicable to its Federal Pell Grant (84.063) program. Compliance with such requirements is necessary, in our opinion, for the College to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

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.

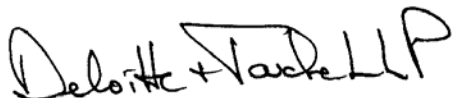
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-01 and 04-02.

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 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 that none of the reportable conditions described above are 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, 2004, and have issued our report thereon dated June 27, 2005. 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.

A handwritten signature in black ink that reads "Deloitte + Tuck LLP". The signature is stylized, with the "D" being particularly large and the "LLP" being written in a cursive-like font.

June 27, 2005

GUAM COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2004

CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 2003	Expenditures	Cash Receipts	Adjustment	Accrued (Deferred) Balance at September 30, 2004
U.S. Department of Education (DOE) (Direct Programs):						
84.002A	Adult Education - State Administration Basic Grant Program	\$ 37,952	\$ 331,755 *	(290,541)	\$ -	\$ 79,166
84.007	Federal Supplemental Education Opportunity Grants	(1,155)	47,100 *	(47,100)	-	(1,155)
84.031A	Title III-Strengthening Institution Program	1,366	-	-	-	1,366
84.033	Federal Work-Study Program	21,966	75,038 *	(80,374)	-	16,630
84.042A	Student Support Services	66,812	276,458	(300,594)	(591) ***	42,085
84.048A	Vocational Education - Basic Grants to States	66,235	522,499	(537,001)	-	51,733
84.063	Federal Pell Grant Program	131,522	2,711,086 *	(2,807,750)	-	34,858
84.346	Career Resource Network State Grant	20,094	119,412 *	(124,897)	(115) ***	14,494
84.044	Talent Search	60,796	213,166	(209,752)	-	64,210
	Total U.S. Department of Education (Direct Programs)	405,588	4,296,514	(4,398,009)	(706)	303,387
Pass-through from:						
94.088/GEN-73	University of Guam	(45,549)	-	-	-	(45,549)
84.	Government of Guam Department of Education Federal Programs	305,543	455,375 *	(347,611)	(1,185) ***	412,122 **
20.600	Department of Public Works:					
	EMS Training Course '00	(6,800)	-	-	-	(6,800) **
00ASTEGM01	Governor's Community Outreach	236	-	-	-	236 **
	Total Pass-through grants	253,430	455,375	(347,611)	(1,185)	360,009
	Total Federal Assistance	\$ 659,018	\$ 4,751,889	\$ (4,745,620)	\$ (1,891)	\$ 663,396

* 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, 2004

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, none of which were considered to be material weaknesses.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none of which were considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The College's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Education - Student Financial Aid	84.007 84.033 84.063
Adult Education – State Administration Basic Grant Program	84.002A
Career Resource Network State Grant	84.346
Department of Education – Federal Programs	84.

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>
04-01	Activities Allowed or Unallowed	\$ -
04-02	Special Tests and Provisions	\$ -

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
04-01	Activities Allowed or Unallowed	\$ -
04-02	Special Tests and Provisions	\$ -

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-01
CFDA No. 84.063
Grant Award No. 20033640
Area: Activities Allowed or Unallowed
Questioned Costs: \$0

Criteria:

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

Condition:

For 2 (or 4%) out of 47 students tested, we noted payments in excess of Pell awards, as follows:

<u>SSN</u>	<u>Total Pell</u>	<u>Payments and Obligations</u>	<u>Overpayment</u>
586-74-8374	\$ 3,607	\$ 4,050	\$ 443
565-67-0691	4,050	5,569	<u>1,519</u>
		Total	<u>\$ 1,962</u>

Cause:

There appears to be lack of internal controls over ensuring student payments are not in excess of the total award.

Effect:

The overpayment of \$1,962 awarded to the Pell grant recipient, extrapolated over the population, exceeds the threshold. However, no questioned cost exists as the College charged the amount to unrestricted funds.

Recommendation:

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

Auditee Response:

The first item mentioned is incorrect. The student was awarded the correct amount of \$4,050. Because of the timing of the award, the College did not receive federal reimbursement for \$443. The College has charged the amount of \$443 to its own funds. The second item mentioned is correct. The College did make a duplicate payment in error. However, the item had been identified on the Pell Grant Reconciliation and was appropriately handled. To further enhance the College's ability to identify errors in a more timely fashion, the reconciliation for a year will be initiated shortly after June 30 when the federal government closes the financial aid award year.

The College has been unable to identify a mechanism for getting a federal report that ties award amounts to specific semesters. The College will again try to identify such a report. If it does exist, then the College will also initiate a semester-by-semester reconciliation as each semester is completed.

GUAM COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-02
CFDA#: 84.063
Grant Award No. 20033640
Area: Special Tests and Provisions
Questioned Costs: \$0

Criteria:

In accordance with the Guam Community College withdrawal policy, students must complete at least 60% of any semester term in order to be entitled to the entire Pell award. If a student withdraws before completing 60% of the term, an adjustment to the award must be made.

Condition:

For one (or 2%) of 47 students tested, we noted no adjustment to the pell award despite the student failing to meet the 60% completion requirement for the applicable semester:

<u>SSN</u>	<u>Semester</u>	<u>Award</u>	<u>Overpayment</u>
586-86-8485	Fall '03	\$ 875	\$ 446
	Spring '04	\$ 1,750	700
			<u>\$ 1,146</u>

Cause:

There appears to be lack of internal controls over ensuring adherence to the College's policy on post withdrawal disbursements.

Effect:

The overpayment of \$1,146 awarded to the Pell grant recipient, extrapolated over the population, exceeds the threshold. However, no questioned cost exists as the College charged the amount to unrestricted funds.

Recommendation:

The College should establish or strengthen internal controls to ensure that Pell grant awards are adjusted according to student enrollment status.

Auditee Response:

The amount of \$446 was awarded to a student who had withdrawn ten days prior to the deadline to be eligible for the full disbursement of funds. The amount of \$700 was awarded to a student who had withdrawn one day prior to the deadline to be eligible for the full disbursement of funds.

To reduce the possibility of this kind of error, in the Summer 2004 and Fall 2004 semesters, the College instituted the policy of having all students who withdraw report to the Financial Aid Office prior to withdrawal. To further strengthen this process, the College will have the Registrar's Office provide the Financial Aid Office with a written report on all students who fully withdraw prior to the time they would be eligible for the full disbursement of funds.

GUAM COMMUNITY COLLEGE

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2004**

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