

**GUAM COMMUNITY COLLEGE**

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

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**SEPTEMBER 30, 1999**



**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, 1999, and have issued our report thereon dated June 21, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 99-2.

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

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 + Touche LLP*

June 21, 2000



**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, 1999. 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 5 through 7). 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 generally accepted auditing standards 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 99-1 and 99-2 in the accompanying Schedule of Findings and Questioned Costs, the Guam Community College did not comply with requirements regarding indirect cost allocations and reporting requirements. 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, 1999.

### 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.

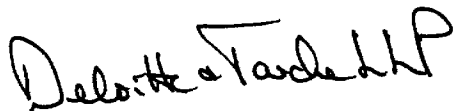
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Guam Community 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 99-1 and 99-2.

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 none of the reportable conditions described above to be 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, 1999, and have issued our report thereon dated June 21, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose 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 general purpose 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 general purpose financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the general purpose 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.



June 21, 2000

**GUAM COMMUNITY COLLEGE**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at September 30, 1998	Expenditures	Cash Receipts	Adjustment	Accrued (Deferred) Balance at September 30, 1999
	U.S. Department of Education (DOE) (Direct Programs):					
84.002A	Adult Education - State Administration Basic Grant Program	\$ 25,612	\$ 249,715	\$ (285,362)	\$ 31,806	*** \$ 21,771
84.007	Federal Supplemental Education Opportunity Grants	(385)	15,702	(15,930)	-	(613)
84.031A	Title III-Strengthening Institution Program	10,427	214,651	(219,474)	54,076	*** 59,680
84.033	Federal Work-Study Program	25,048	83,947	(95,433)	12,874	*** 26,436
84.042A	Student Support Services	15,089	178,570	(215,657)	38,308	*** 16,310
84.048A	Vocational Education - Basic Grants to States	16,204	487,103	(443,985)	(704)	*** 58,618
84.063	Federal Pell Grant Program	55,741	866,423	(931,661)	5,139	*** (4,358)
	Total U.S. Department of Education (Direct Programs)	147,736	2,096,111	(2,207,502)	141,499	177,844
84.994S	Pass-through from: Pacific Region Educational Laboratory: Pacific Vocational Education Improvement and Pacific Vocational Education Teachers Academy Programs (Subgrant #V994S20001)	(44,843) (45,549)	33,556	-	11,287	*** - (45,549)
94.088/GEN-73	University of Guam					
93.575	Guam Department of Agriculture:					
84	Child Care and Development Funds	(3)		-	3	*** -
84.027A	Department of Education Federal Programs	88,397	263,752	(199,605)	8,017	*** 160,561 **
84.029L	Special Education - Grants to States	105,022	118,723	(129,483)	(15,209)	*** 79,053 **
83.544	Special Education Personnel Development and Parent Training	13,515	27,040	(39,000)	(1,555)	*** -
	Federal Emergency Management Agency:					
84.055	Public Assistance Grants	33,414	97,690	(73,781)		57,323
N/A	Department of Education:					
	Higher Education - Cooperative Education	-	11,332	(7,961)	155,373	*** 158,744 **
	Department of Public Works:					
	EMS Training Course '96	14,556	-	-	(14,556)	*** -
	EMS Training Course '97	8,500	-	-	(8,500)	*** -
	Total Pass-through grants	173,009	552,093	(449,830)	134,860	410,132
	Total Federal Assistance	\$ 320,745	\$ 2,648,204	\$ (2,657,332)	\$ 276,359	\$ 587,976

\* 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 & encumbrances during the year.  
 N/A The Guam Community College was not provided a CFDA # for these grants.  
 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, 1999

### 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 not 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 84.033 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>
No matters are reportable.		

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

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
99-1	Indirect Costs	\$ 13,160
99-2	Reporting	-

# GUAM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1999

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>	<u>Questioned Costs</u>
99-1	84.042	Colleges and universities are required to enter into agreements which enable the institutions to designate a stated percentage of expenditures as indirect costs, if indirect costs are to be actually claimed.	\$ 13,160

### Condition

Indirect costs of \$13,160 were charged to the program without an approved indirect cost agreement.

Student Support Services	\$ 13,160
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### Cause

The cause of this condition is unknown.

### Effect

A questioned cost of \$13,160 results from this condition.

### Recommendation

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

# GUAM COMMUNITY COLLEGE

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 1999

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria</u>	<u>Questioned Costs</u>
99-2	84.048	Per OMB 110 Grants & Agreement HiEd/Hop/NFP, report 269 must be submitted to the federal awarding agency no later than 90 calendar days for annual and final report after the end of the reporting period.	\$ -

### Condition

VEA's report 269 that covers the reporting period of 12/31/98 with a due date of 3/31/99 was submitted six days late to the federal awarding agency.

### Cause

The cause of this condition is unknown.

### Effect

There is no effect on the financial statements. However, the College is not in compliance with reporting due dates.

### Recommendation

The College should prepare and submit the report 269 on a timely basis to the federal awarding agency.



**GUAM COMMUNITY COLLEGE**

**Resolution of Prior Years' Findings and Questioned Costs  
Year Ended September 30, 1999**

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

Questioned Costs per the September 30, 1998, 1997 and 1990 audit reports	\$ 126,764
Questioned Costs per the September 30, 1999 audit report	<u>13,160</u>
Total unresolved questioned costs as of September 30, 1999	\$ <u>139,924</u>

## GUAM COMMUNITY COLLEGE

### Schedule of Programs Selected for Audit in Accordance with OMB Circular A-133 Year Ended September 30, 1999

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

#### Fiscal Year 1999

<u>CFDA Number</u>	<u>Grant Title</u>	<u>Expenditures</u>
84.007	Federal Supplemental Education Opportunity Grant	\$ 15,702
84.033	Federal Work - Study Program	83,947
84.063	Federal Pell Grant Program	866,423
84.048	Vocational Education - Basic Grants to States	<u>487,103</u>
	Total federal award expenditures tested	\$ <u>1,453,175</u>
	Total federal award expenditures	\$ <u>2,648,204</u>
	Percentage of total tested	<u>55%</u>

**GUAM COMMUNITY COLLEGE**

**Reconciliation of Total Restricted Expenditures with Total Federal Award Expenditures  
Year Ended September 30, 1999**

Total expenditures per Schedule of Federal Awards	\$ 2,648,204
Other non-federal restricted fund expenditures and transfers	<u>2,038,123</u>
Total restricted fund expenditures	\$ <u>4,686,327</u>

**GUAM COMMUNITY COLLEGE**

**OFFICE OF VICE PRESIDENT**

**BUSINESS AND FINANCE**

**671-735-5547**

**FAX 671-734-5238**

**jtaylor@gcc.guam.net (Internet)**

**August 30, 2000**

**MEMORANDUM / FAX**

**TO:** Dan Fitzgerald  
Deloitte & Touche

**FAX:** Faxed and Delivered 649-4132

**PAGES:** 2 pages

**FROM:** Vice President for Business and Finance

**SUBJECT:** Response: Items 99-1 and 99-2 for Fiscal Year 1999

The following are responses to Items 99-1 and 99-2 for the FY 1999 audit.

99-1 On March 28, 1996 the US Department of Education sent a letter indicating that Guam Community College did not have to do an indirect cost study for grants that had a predetermined fixed rate.

In conjunction with a review of the Guam Community College financial statements for FY 1995 and 1996, in a letter dated March 3, 2000, the US Department of Education indicated that they required Guam Community College to submit a indirect cost study. However in the same letter the College noted that the US Department of Education had contributed to the confusion because of the letter noted above.

Based on the recommendation in the letter dated March 3, 2000 the College prepared an administrative cost proposal for FY 1998. This proposal indicated that the administrative rate was 45.2 %. A copy of this proposal was submitted to the local office of the Inspector General for the US Department of Interior on May 10, 2000. Recently the local office responded saying they did not review proposals later than six months after the close of a fiscal year. They did not quote a federal regulation indicating why they had taken that stance.

Subsequently the College has undertaken the development of an administrative cost

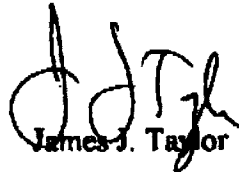
proposal for FY 1999. That rate is 47.8%. A copy of that proposal is being submitted to the local office of the Inspector General for the US Department of Interior.

To obviate any concerns, the College will also develop an administrative cost proposal for FY 2000 within three months of the close of fiscal year 2000 and will submit it to the local office of the Inspector General.

- 99-2 The College requested an extension on April 4, 1999. The extension was granted on April 5, 1999. The report was submitted on April 6, 1999, ahead of the date extended.

The Vice President will review with the employees responsible for such reports the procedures used to determine when such reports are due.

If there are any questions, please let me know.



James J. Taylor