

**BURGER & COMER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Regents  
University of Guam

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of University of Guam (the University) for the year ended September 30, 2006, on which we have issued our report dated April 26, 2007, we developed the following recommendations concerning matters related to its internal control or financial reporting. Our recommendations are summarized below:

Auxiliary Revenues and Transfers

Revenues may be received and recorded in one account or fund, and then transferred to another account or fund. An example is student activity fees. The University records student activity fee revenue. The University then transfers the revenue to enrollment management and support services (EMSS). This transfer should be recorded as a transfer out of the student activity fee and a transfer in by the EMSS. The University instead recorded an expense under student activity fees and revenue in the EMSS. This overstates both revenues and expenses.

We recommend that transfers from one fund to another be recorded as transfers, and not as revenues or expenses.

Schedule of Federal Expenditures

The preparation of a schedule of Federal expenditures is the responsibility of the entity being audited. This schedule must reconcile to the general ledger, not only in terms of the expenditures for the fiscal year, but also as it relates to the amount receivable from the grantor or the amount to be considered as deferred revenue.

The schedule of Federal expenditures presented to us initially did not reconcile to the general ledger. Further, there were approximately ten beginning balances on the rollforward of receivable/deferred revenue that did not match the ending balances reflected in the prior year audit.

We recommend that the Comptroller review the schedule of Federal expenditures in detail before it is submitted for audit purposes. The schedule should agree to the general ledger balances for amounts due from grantors, deferred revenues, and expenditures for the year.

Depreciation Expense

The University follows the practice of recording no depreciation in the year of acquisition. This will understate depreciation expense the first year, and will overstate depreciation expense in the year following the last year of the item's useful life. These understatements and overstatements will, over the course of time, tend to offset each other. The impact on depreciation expense each fiscal year is not expected to be material.

We recommend that depreciation expense be recorded starting in the month that the asset is placed in service.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Regents and management of the University of Guam and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the University during the course of audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

*Buque & Leorne, P.C.*

April 26, 2007