

**GUAM COMMUNITY COLLEGE**

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

**SEPTEMBER 30, 2003**



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**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, 2003, and have issued our report thereon dated March 15, 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 03-01 and 03-02.

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, 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 + Tuck LLP*

March 15, 2005



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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**

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, 2003. 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.

In our opinion, 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, 2003.

**Internal Control Over Compliance**

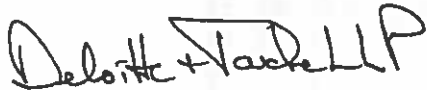
The management of Guam Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Guam Community College's 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be 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, 2003, and have issued our report thereon dated March 15, 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, 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 + Tatch LLP". The signature is written in a cursive, stylized font.

March 15, 2005

**GUAM COMMUNITY COLLEGE**

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2003**

<u>CFDA #</u>	<u>Federal Grantor/Program Title</u>	<u>Accrued (Deferred) Balance at September 30, 2002</u>	<u>Expenditures</u>	<u>Cash Receipts</u>	<u>Adjustment</u>	<u>Accrued (Deferred) Balance at September 30, 2003</u>
<b>U.S. Department of Education (DOE) (Direct Programs):</b>						
84 002A	Adult Education - State Administration Basic Grant Program	\$ 30,209 \$	275,433	(267,847) \$	157 *** \$	37,952
84 007	Federal Supplemental Education Opportunity Grants	(1,155)	47,912 *	(48,357)	445 ***	(1,155)
84 031A	Title III-Strengthening Institution Program	1,366	-	-	-	1,366
84 033	Federal Work-Study Program	28,383	70,667 *	(79,182)	2,098 ***	21,966
84 042A	Student Support Services	23,144	267,888 *	(224,213)	(7) ***	66,812
84 048A	Vocational Education - Basic Grants to States	57,168	451,539 *	(443,543)	1,071 ***	66,235
84 063	Federal Pell Grant Program	(2,287)	2,596,597 *	(2,464,799)	2,011 ***	131,522
84 346	Career Resource Network State Grant	-	88,376	(67,834)	(448) ***	20,094
84 044	Talent Search	-	179,086 *	(117,939)	(351) ***	60,796
	<b>Total U.S. Department of Education (Direct Programs)</b>	<b>136,828</b>	<b>3,977,498</b>	<b>(3,713,714)</b>	<b>4,976</b>	<b>405,588</b>
<b>Pass-through from:</b>						
94 088/GEN-73	University of Guam	(45,549)	-	-	-	(45,549)
84	Government of Guam Department of Education Federal Programs	216,448	335,831	(246,736)	-	305,543 **
20 600	Department of Public Works:					
	EMS Training Course '00	21,594	-	(28,394)	-	(6,800) **
00ASTEGM01	Governor's Community Outreach	236	-	-	-	236 **
	<b>Total Pass-through grants</b>	<b>192,729</b>	<b>335,831</b>	<b>(275,130)</b>	<b>-</b>	<b>253,430</b>
	<b>Total Federal Assistance</b>	<b>\$ 329,557 \$</b>	<b>4,313,329 \$</b>	<b>(3,988,844) \$</b>	<b>4,976</b>	<b>\$ 659,018</b>

\* 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, 2003

#### 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 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 not identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no 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
Student Support Services	84.042A
Vocational Education - Basic Grants to State	84.048A
Talent Search	84.044

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>
03-01	Fixed Assets	\$ -
03-02	Fixed Assets	\$ -

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

No matters are reportable.

## GUAM COMMUNITY COLLEGE

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-01  
Area: Fixed Assets  
Questioned Costs: \$0

**Criteria:** In accordance with Guam Community College policy, fixed assets are tagged and inventoried every two years.

**Condition:** One (or 7%) out of 14 fixed assets tested for existence, with a value of \$2,249, could not be located.

<u>Asset ID</u>	<u>Description</u>	<u>Serial #</u>	<u>Cost</u>
904598	Laptop	PZXN35BS831900020	\$2,249

**Cause:** There appears to be lack of internal controls over ensuring that all fixed assets are accounted for.

**Effect:** Noncompliance with the criteria appears to result from this condition.

**Recommendation:** The College should follow its internal control procedures to ensure fixed assets are monitored and located.

**Auditee Response:**

The College is currently updating its fixed asset application and will review and re-inventory fixed assets as part of that process.



## GUAM COMMUNITY COLLEGE

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2003

Finding No.: 03-02  
Area: Fixed Asset  
Questioned Costs: \$0

Criteria: In accordance with Guam Community College policy, fixed assets are tagged and are inventoried every two years.

Condition: One (or 7%) out of 14 fixed assets tested has an identical description as another serial number listed in the fixed asset register.

<u>Asset ID</u>	<u>Description</u>	<u>Serial #</u>	<u>Cost</u>
904192	CPU Pentium	US13850793	\$4,100

Cause: According to the fixed asset administrator, duplication occurs when fixed assets are entered into the database and other fields are automatically filled in by the database.

Effect: The condition can cause an overstatement of the financial statements.

Recommendation: We recommend that only authorized personnel enter fixed asset acquisitions and ensure that related fixed asset information is accurately entered.

Auditee Response:

The College is currently updating its fixed asset application and will review re-inventory fixed assets as part of that process. Duplication of numbers will be reviewed as part of that process.

