

GUAM COMMUNITY COLLEGE

**(A COMPONENT UNIT OF
THE GOVERNMENT OF GUAM)**

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

YEAR ENDED SEPTEMBER 30, 2012

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Guam Community College:

We have audited the financial statements of the Guam Community College (the College) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 4, 2013. 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

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

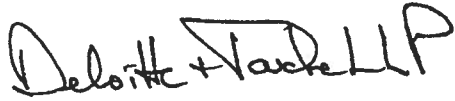
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated March 4, 2013.

This report is intended solely for the information and use of management of the College, the Board of Trustees, others within the entity, the Office of Public Accountability – Guam, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

March 4, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Trustees
Guam Community College:

Compliance

We have audited the Guam Community College's (the College) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2012. The College's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs (page 7). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the 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 the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

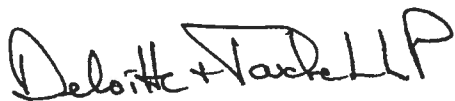
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Guam Community College (the College) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 4, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the College's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management of the College, the Board of Trustees, others within the entity, the Office of Public Accountability – Guam, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.



March 4, 2013

GUAM COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

CFDA #	Federal Grantor/Program Title	Expenditures
10.780	U.S. Department of Agriculture (Direct Loan) ARRA Communities Facilities Loans and Grants	\$ 22,843
	Total U.S. Department of Agriculture	22,843
15.875	U.S. Department of the Interior: Pass-Through the Governor's Office: Economic, Social, and Political Development of the Territories	1,006,591 *
	Total U.S. Department of the Interior	1,006,591
17.261	U.S. Department Labor: Pass-Through the Guam Department of Labor: WIA Pilots, Demonstrations, and Research Projects	32,006
	Total U.S. Department Labor	32,006
47.076	National Science Foundation (Direct Program): Education and Human Resources	120,046
	Total National Science Foundation	120,046
81.041	U.S. Department of Energy Pass-Through the Guam State Energy ARRA State Energy Program	410,929
	Total U.S. Department of Energy	410,929
84.002A	U.S. Department of Education (Direct Programs): Adult Education - Basic Grants to States	375,284 *
84.007	Federal Supplemental Educational Opportunity Grants	50,917
84.031A	Higher Education-Institution Aid	400,000
84.033	Federal Work-Study Program	63,503
84.042A	TRIO-Student Support Services	356,886
84.048A	Career and Technical Education - Basic Grants to States	468,724 *
84.063	Federal Pell Grant Program	8,040,419
84.378A	College Access Challenge Grant Program	1,149,281 *
	Subtotal Direct Programs	10,905,014
84.397A	Pass-Through Guam Department of Education: ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	1,656,820 *
84.403	Consolidated Grant to the Outlying Areas	403,351
	Subtotal Pass-through Guam Department of Education	2,060,171
	Total U.S. Department of Education	12,965,185
93.587	U.S. Department of Health and Human Services (Direct Programs): Promote the Survival and Continuing Vitality of Native American Languages	205,675
	Subtotal Direct Program	205,675
93.824	Pass-Through Guam Department of Public Health and Social Services: Area Health Education Centers Infrastructure Development Awards	393,133
	Subtotal Pass-Through Guam Department of Public Health and Social Services	393,133
	Total U.S. Department of Health and Human Services	598,808
94.005	Corporation for National and Community Service: Pass-Through the University of Guam: Learn and Serve America Higher Education	8,822
	Total Corporation for National and Community Service:	8,822
	Total Federal Awards	\$ 15,165,230

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

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

See accompanying notes to Schedule of Expenditures of Federal Awards.

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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

1. Scope of Audit

The Guam Community College (the College) is a component unit of the Government of Guam established by the enactment of Public Law 14-77, "The Community College Act of 1977." Only the federal expenditures of the College are included within the scope of the OMB A-133 audit (the "Single Audit").

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures.

3. Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

The Schedule of Expenditures of Federal Awards reconciles to the financial statements as follows:

Capital contributions from U.S. government, as reported	\$ 3,171,646
Federal grants and contracts, as reported	16,627,544
Government of Guam grants and contracts, as reported	403,351
Others, included in long-term debt	22,843
Scholarship discounts and allowances, as reported	<u>(5,060,154)</u>
	<u>\$ 15,165,230</u>

4. American Recovery and Reinvestment Act of 2009

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2012, the College's expenditures and related grant award notifications are as follows:

<u>CFDA</u> <u>Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Grant Amount</u>	<u>FY 2012</u> <u>Expenditures</u>
10.780	ARRA Communities Facilities Loans and Grants	\$ 2,250,000	\$ 22,843
81.041	ARRA State Energy Program	1,286,000	410,929
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	<u>6,000,000</u>	<u>1,656,820</u>
		<u>\$ 9,536,000</u>	<u>\$ 2,090,592</u>

**GUAM COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2012

Part I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| Internal control over major programs: | |
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | None reported |
| 7. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |
| 9. Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of the Territories
84.002	Adult Education - Basic Grants to States
84.048	Career and Technical Education - Basic Grants to States
84.378	College Access Challenge Grant Program
84.397	State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$454,957 |
| 11. Auditee qualified as low-risk auditee? | Yes |

**GUAM COMMUNITY COLLEGE
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**Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012**

Part II - Financial Statement Findings Section

No items are reportable.

Part III - Federal Award Findings and Questioned Cost Section

No matters are reportable.

**GUAM COMMUNITY COLLEGE
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**Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended September 30, 2012**

Unresolved Prior Year Findings and Questioned Costs

There are no unresolved prior year findings and questioned costs other than Finding No. 11-01 reported in the fiscal year 2011 Single Audit.

Views of Responsible Officials and Corrective Actions Taken on Finding No. 11-01 Related to Procurement and Suspension and Debarment:

Materials Management Office conducted refresher-training courses for staff, administrators and department chairs to go over procurement requirements and documentation required for the requisition of goods, supplies, services, and equipment. Procurement training was held on April 2 and 3, 2012 and on August 1, 2012 (department chair training for the academic year).

The training also touched on the use of brand name specification being restrictive. Such reference is intended to be descriptive, but not restrictive and for the sole purpose of indicating to the vendor a description of the goods or services that will be satisfactory.