

GUAM COMMUNITY COLLEGE

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

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

YEAR ENDED SEPTEMBER 30, 2009

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, 2009, and which collectively comprise its basic financial statements and have issued our report thereon dated April 30, 2010. 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. The financial statements of the Guam Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

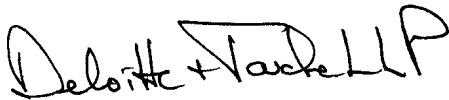
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

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 April 30, 2010.

This report is intended solely for the information and use of the Board of Trustees, management of the College, 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 + Touche LLP". The signature is written in a cursive, stylized font.

April 30, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 compliance of the Guam Community College (the 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 each of its major federal programs for the year ended September 30, 2009. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 6 through 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 of the College's compliance with those requirements.

In our opinion, 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1.

Internal Control Over Compliance

The management of the 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 the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

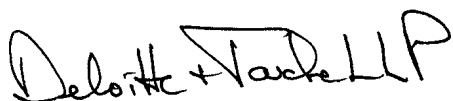
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 basic financial statements of the Guam Community College and its discretely presented component unit as of and for the year ended September 30, 2009, and have issued our report thereon dated April 30, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for purposes 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 College. Such information has been subjected to the auditing procedures applied in the 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.

The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management of the College, 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.



April 30, 2010

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

CFDA #	Federal Grantor/Program Title	Accrued (Deferred) Balance at October 1, 2008	Expenditures	Cash Receipts	Accrued (Deferred) Balance at September 30, 2009
	U.S. Department of the Interior:				
	Pass-Through the Governor's Office:				
15.875	Economic, Social, and Political Development of the Territories	\$ 13,228	\$ 1,140,517 *	\$ (891,379)	\$ 262,366
	Total U.S. Department of the Interior	13,228	1,140,517	(891,379)	262,366
	U.S. Department Labor:				
	Pass-Through the Guam Department of Labor:				
17.259	ARRA WIA Youth Activities ***	-	937,909 *	(915,857)	22,052
	Total U.S. Department Labor	-	937,909	(915,857)	22,052
	U.S. Department of Transportation:				
	Pass-Through the Department of Public Works:				
20.600	State and Community Highway Safety	(6,800)	-	-	(6,800)
	Total U.S. Department of Transportation	(6,800)	-	-	(6,800) **
	National Science Foundation (Direct Programs):				
47.076	Education and Human Resources	-	3,500	-	3,500
	Total National Science Foundation	-	3,500	-	3,500
	U.S. Department of Education (Direct Programs):				
84.002A	Adult Education - Basic Grants to States	9,319	374,722	(253,820)	130,221
84.007	Federal Supplemental Education Opportunity Grants	6,935	48,348 *	(200)	55,083
84.031A	Higher Education-Institution Aid	45,372	429,049	(296,815)	177,606
84.033	Federal Work-Study Program	24,712	68,633 *	(60,121)	33,224
84.042A	TRIO-Student Support Services	106,019	246,234	(186,441)	165,812
84.044	TRIO-Talent Search	20,569	-	-	20,569
84.047	TRIO-Upward Bound	71,417	19,372	(58,690)	32,099
84.048A	Career and Technical Education -- Basic Grants to States	144,792	356,659	(266,803)	234,648
84.048B	Career and Technical Education -- Basic Grants to States	-	310,005 *	-	310,005
84.063	Federal Pell Grant Program	841,746	3,215,702 *	(3,123,764)	933,684
84.346	Vocational Education-Occupational and Employment Information State Grants	237	-	-	237
84.375	Academic Competitiveness Grants	375	-	-	375
84.378A	College Access Challenge Grant Program	-	239,401 *	(109,469)	129,932
84.382B	Strengthening Minority-Serving Institutions	-	843	-	843
	Total Direct Programs	1,271,493	5,308,968	(4,356,123)	2,224,338
	Pass-Through Guam Department of Education:				
84.922	Consolidated Grants	204,689	250,340	(207,932)	247,097
	Total U.S. Department of Education	1,476,182	5,559,308	(4,564,055)	2,471,435
	U.S. Department of Health and Human Services (Direct Programs):				
93.587	Promote the Survival and Continuing Vitality of Native American Languages	49,689	28,037	(77,726)	-
	Total U.S. Department of Health and Human Services	49,689	28,037	(77,726)	-
	Corporation for National and Community Service:				
	Pass-Through the University of Guam:				
94.088/GEN-73	University of Guam	(45,549)	-	-	(45,549)
	Total Corporation for National and Community Service:	(45,549)	-	-	(45,549) **
	Pass-Through the Governor's Office:				
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13,832	-	(13,832)	-
	Total U.S. Department of Homeland Security	13,832	-	(13,832)	-
	Total Federal Assistance	\$ 1,500,582	\$ 7,669,271	\$ (6,462,849)	\$ 2,707,004

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

** Presented in the basic financial statements within accounts payable and other liabilities

*** American Recovery and Reinvestment Act (ARRA) funding was provided under CFDA # 17.259. The amount awarded in FY 2009 was \$1,181,309.

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

**GUAM COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

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 that are not considered to be material weakness(es)? | 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 that are not considered to be material weakness(es)? | 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? | Yes |
| 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
17.259	WIA Youth Activities
84.007	Federal Supplemental Education Opportunity Grants
84.033	Federal Work-Study Program
84.048B	Career and Technical Education-Basic Grants to States
84.063	Federal Pell Grant Program
84.378	College Access Challenge Grant Program

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$300,000 |
| 11. Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133? | Yes |

Part II - Financial Statement Findings Section

No items are reportable.

**GUAM COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2009

Part III – Federal Award Findings and Questioned Costs Section

Finding No: 2009-1
Federal Agency: U.S. Department of Education
CFDA Program: 84.063 Federal Pell Grant Program
Grant Number: P063P083640
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 1 (or 2%) of 82 students tested, we noted payments in excess of Pell awards, as follows:

<u>Total Pell</u>	<u>Payments and Obligations</u>	<u>Overpayment</u>
\$ -	\$ 994	\$ 994

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 \$ 994 awarded to the Pell grant recipient, extrapolated over the population exceeds the threshold. However, no questioned cost exists as the College charged the above to unrestricted funds and reimbursed the federal award. The College has provided us, on April 12, 2010 a reconciliation of the Pell activity to the financial statements, which reconciliation reflects necessary adjustments such as the above.

Recommendation:

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

Auditee Response:

The student has been charged back for the over award and the College will seek collections from the student. The over award was the result of changes in the student eligibility status after the initial award was made. Based on the Banner integrated system, implemented in Fall 2008, the approved EFC and Pell award is verified against the US Department of Education COD System. The Banner system is setup to reject any students with an Estimated Family Contribution (EFC) number over a certain annual threshold. Verification with the USDOE COD system is updated on at least a monthly basis. This update will flag any adjustments or changes in EFC that will affect student award amounts for the academic year. The system allows the College to be alerted of any changes to the student awards and make proper adjustments as necessary.

**GUAM COMMUNITY COLLEGE
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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2009

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