

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

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

YEAR ENDED SEPTEMBER 30, 2019

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

The Board of Regents
University of Guam:

We have audited, in accordance with the 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 University of Guam (the University) and its discretely presented component unit as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

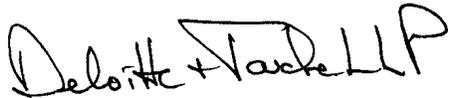
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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May 18, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Regents
University of Guam:

Report on Compliance for Each Major Federal Program

We have audited the University of Guam's (the University's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2019. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 University'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of 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, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 University's internal control over compliance.

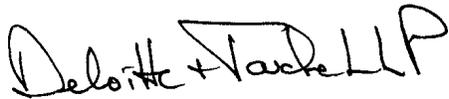
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University of Guam and its discretely presented component unit as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 18, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

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

May 18, 2020

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2019

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 4,872,875
U.S. Department of Commerce	855,812
U.S. Department of Defense	1,953,138
U.S. Department of the Interior	962,132
National Aeronautics and Space Administration	474,702
Institute of Museum and Library	56,533
National Science Foundation	1,247,002
U.S. Small Business Administration	438,860
U.S. Environmental Protection Agency	10,317
U.S. Department of Education	14,860,176
U.S. Department of Health and Human Services	3,743,557
Corporation for National and Community Service	316,763
Unknown	73,850
Grand Total	\$ <u><u>29,865,717</u></u>

Reconciliation to the basic financial statements:

Operating revenues - Federal grants and contracts	\$ 33,374,755
Indirect cost allocation in operating expenses	(925,476)
Allocated to general fund	(1,979,944)
Program income in operating expenses	(101,821)
Miscellaneous cost in operating expenses	<u>(501,797)</u>
	\$ <u><u>29,865,717</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
Direct from U.S. Department of Agriculture:					
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$ 457,493	\$ -	\$ 457,493
10.202	Cooperative Forestry Research		114,397	-	114,397
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,581,758	-	1,581,758
10.308	Resident Instruction Grants for Insular Area Activities		235,912	-	235,912
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		121,912	-	29,217
10.329	Crop Protection and Pest Management Competitive Grants Program		20,920	-	-
10.500	Cooperative Extension Service		1,357,581	-	-
10.514	Expanded Food and Nutrition Education Program		40,562	-	-
10.515	Renewal Resource Capacity Grant		5,417	-	-
10.652	Forestry Research		102,946	-	102,946
10.664	Cooperative Forestry Assistance		39,461	-	39,461
10.675	Urban and Community Forestry Program		4,198	-	-
10.680	Forest Health Protection		27,478	-	3,428
10.868	Rural Energy for America Program		(7,918)	-	(7,918)
10.912	Environmental Quality Incentives Program		31,492	-	31,492
10.950	Agricultural Statistical Reports		24,456	-	-
	Subtotal Direct Programs		<u>4,158,065</u>	<u>-</u>	<u>2,588,186</u>
Pass-through from Government of Guam Department of Agriculture:					
		Various			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		48,065	-	48,065
10.170	Specialty Crop Block Grant Program - Farm Bill		177,899	-	177,899
10.664	Cooperative Forestry Assistance		14,579	-	-
Pass-through from Utah State University:					
		07-298-3455			
10.215	Sustainable Agriculture Research and Education		76,067	-	76,067
Pass-through from Michigan State University:					
		62-544-7982			
10.215	Sustainable Agriculture Research and Education		4,925	-	4,925
Pass-through from University of California:					
		04-712-0084			
10.304	Homeland Security Agricultural		3,905	-	3,905
Pass-through from University of Hawaii:					
		96-508-8057			
10.310	Agriculture and Food Research Initiative (AFRI)		35,521	-	35,521
Pass-through from Kansas State University:					
		92-977-3554			
10.500	Cooperative Extension Service		22,115	-	-
Pass-through from Government of Guam Department of Public Health and Social Services:					
		14-1700-009			
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		276,503	-	-
Pass-through from Micronesia Conservation Trust					
		77-990-8151			
10.664	Cooperative Forestry Assistance		19,925	-	19,925
Pass-through from University of Hawaii:					
		96-508-8057			
10.912	Environmental Quality Incentives Program		35,306	-	35,306
	Subtotal Pass-Through Programs		<u>714,810</u>	<u>-</u>	<u>401,613</u>
	U.S. Department of Agriculture Total		<u>\$ 4,872,875</u>	<u>\$ -</u>	<u>\$ 2,989,799</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
Direct from U.S. Department of Commerce:					
11.417	Sea Grant Support		\$ 346,156	\$ -	\$ 346,156
11.427	Fisheries Development and Utilization Research and Development		112,675	-	112,675
11.452	Unallied Industry Projects		21,847	-	-
11.482	Coral Reef Conservation Program		41,170	-	41,170
	Subtotal Direct Programs		<u>521,848</u>	-	<u>500,001</u>
Pass-through from the Research Corporation of the University of Hawaii:					
11.012	Integrated Ocean Observing System	Z10129876	7,296	-	7,296
11.432	Special Oceanic and Atmospheric Projects		22,824	-	22,824
Pass-through from The Micronesia Conservation Trust:					
11.482	Coral Reef Conservation Program	MCT/NOAAAC2/Y2/2015/01	78,545	-	78,545
Pass-through from Government of Guam Bureau of Statistics and Planning:					
11.482	Coral Reef Conservation Program	NA13NOS4820012	225,299	-	196,171
	Subtotal Pass-Through Programs		<u>333,964</u>	-	<u>304,836</u>
	U.S. Department of Commerce Total		<u>\$ 855,812</u>	<u>\$ -</u>	<u>\$ 804,837</u>
Direct from the U.S. Department of Defense:					
12.002	Procurement Technical Assistance For Business Firms		\$ 308,675	\$ -	\$ -
12.300	Basic and Applied Scientific Research		1,512,359	-	1,512,359
12.632	Legacy Resource Management Program		79,488	-	79,488
	Subtotal Direct Programs		<u>1,900,522</u>	-	<u>1,591,847</u>
Pass-through from Guam Waterworks Authority:					
12.600	Community Investment	85-502-8057	52,616	-	-
	Subtotal Pass-Through Programs		<u>52,616</u>	-	-
	U.S. Department of Defense Total		<u>\$ 1,953,138</u>	<u>\$ -</u>	<u>\$ 1,591,847</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
Direct from U.S. Department of the Interior:					
15.657	Endangered Species Conservation Recovery Implementation Funds		\$ 42,618	\$ -	\$ 42,618
15.805	Assistance to State Water Resources Research Institutes		279,575	-	279,575
15.808	U.S. Geological Survey_ Research and Data Collection		2,405	-	2,405
15.945	Cooperative Research and Training Programs Resources of the National Park System		84,697	-	84,697.00
	Subtotal Direct Programs		<u>414,650</u>	-	<u>414,650</u>
Pass-through from Government of Guam Department of Agriculture:					
15.634	State Wildlife Grants	85-502-3235	25	-	25
Pass-through from the Research Corporation of the University of Hawaii:					
15.820	National Climate Change and Wildlife Science Center	Various	68,956	-	68,956
Pass-through from Government of Guam Bureau of Statistics and Planning:					
15.875	Economic, Social, and Political Development of the Territories	77-890-4292	478,501	-	12,895
	Subtotal Pass-Through Programs		<u>547,482</u>	-	<u>81,876</u>
	U.S. Department of the Interior Total		<u>\$ 962,132</u>	\$ -	<u>\$ 496,526</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
	Direct from National Aeronautics and Space Administration:				
43.008	Education		\$ 432,649	\$	\$ 432,649
	Pass-through from University of Hawaii:				
		80NSSC17M0028			
43.008	Education		42,053		42,053
	National Aeronautics and Space Administration Total		<u>\$ 474,702</u>	<u>\$ -</u>	<u>\$ 474,702</u>
	Direct from Institute of Museum and Library Services:				
45.301	Museums for America		\$ 56,533	\$ -	\$ 56,533
	Institute of Museum and Library Services Total		<u>\$ 56,533</u>	<u>\$ -</u>	<u>\$ 56,533</u>
	Direct from National Science Foundation:				
47.050	Geosciences		\$ 8,283	\$ -	\$ 8,283
47.070	Computer and Information Science and Engineering		66,602	-	-
47.074	Biological Sciences		2,121	-	2,121
47.075	Social, Behavioral, and Economic Sciences		2,215	-	2,215
47.076	Education and Human Resources		127,662	-	127,662
47.083	Office of Integrative Activities		970,363	-	970,363
	Subtotal Direct Programs		<u>1,177,246</u>	<u>-</u>	<u>1,110,644</u>
	Pass-through from University of Hawaii:				
		HI 120009			
47.076	Education and Human Resources		69,756	-	69,756
	Subtotal Pass-Through Programs		<u>69,756</u>	<u>-</u>	<u>69,756</u>
	National Science Foundation Total		<u>\$ 1,247,002</u>	<u>\$ -</u>	<u>\$ 1,180,400</u>
	Direct from Small Business Administration:				
59.037	Small Business Development Centers		\$ 438,860	\$ 177,582	\$ -
	U.S. Small Business Administration Total		<u>\$ 438,860</u>	<u>\$ 177,582</u>	<u>\$ -</u>
	Pass-through from Government of Guam Guam Environmental Protection Agency:				
		83-000-0027			
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		\$ 10,317	\$ -	\$ -
	U.S. Environmental Protection Agency Total		<u>\$ 10,317</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
Direct from U.S. Department of Education:					
84.032	Federal Family Education Loans (Agency Loans)		\$ 93,467	\$ -	\$ -
	Student Financial Assistance Cluster:				
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)		155,000	-	-
84.032	Archived		143,550	-	-
84.033	Federal Work-Study Program		408,962	-	-
84.063	Federal Pell Grant Program		7,347,457	-	-
84.268	Federal Direct Student Loans		5,552,012	-	-
84.379	Teacher Education Assistance for College and Higher Education Grants		132,050	-	-
	Student Financial Assistance Cluster Subtotal		<u>13,739,031</u>	<u>-</u>	<u>-</u>
	TRIO Cluster:				
84.042	TRIO Student Support Services		304,680	-	-
84.044	TRIO Talent Search		360,635	-	-
84.047	TRIO Upward Bound		422,349	-	-
	TRIO Cluster Subtotal		<u>1,087,664</u>	<u>-</u>	<u>-</u>
	Subtotal Direct Programs		<u>14,826,695</u>	<u>-</u>	<u>-</u>
	Pass-through from San Jose State University:	56820715			
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		33,481	-	-
	Subtotal Pass-Through Programs		<u>33,481</u>	<u>-</u>	<u>-</u>
	U.S. Department of Education Total		<u>\$ 14,860,176</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal CFDA #	Federal Grantor/Pass-Through Grantor/Program or Cluster Total	Pass-Through Entity ID Number	Expenditures	Amount Passed Through to Subrecipients	Research and Development Cluster
Direct from U.S. Department of Health and Human Services:					
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards		\$ 82,898	\$ 263,615	\$ -
93.251	Universal Newborn Hearing Screening		235,648	60,600	-
93.307	Minority Health and Health Disparities Research		700,353	-	700,353
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		148,967	-	-
93.397	Cancer Centers Support Grants		1,006,925	-	1,006,925
93.464	ACL Assistive Technology		128,389	-	-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		632,878	-	-
93.969	PPHF Geriatric Education Centers		24,584	-	24,584
	Subtotal Direct Programs		2,960,642	324,215	1,731,862
Pass-through from Government of Guam Department of Public Health and Social Services:					
		various			
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services		58,216	-	-
93.110	Maternal and Child Health Federal Consolidated Programs		60,803	-	-
93.143	NIEHS Superfund Hazardous Substances Basic Research and Education		21,769	-	-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		205,385	-	-
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National X		3,226	-	-
93.505	Maternal, Infant, and Early Childhood Home Visiting Cluster: Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		103,728	-	-
93.870	Maternal, Infant and Early Childhood Home visiting Grant Program Maternal, Infant, and Early Childhood Home Visiting Cluster		4,175	-	-
	Subtotal		457,302	-	-
Pass-through from Pennsylvania State University:					
93.310	Trans-NIH Research Support	various	255,272	-	255,272
Pass-through from University of Hawaii:					
		96-508-8057			
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		(3,745)	-	(3,745)
93.397	Maternal and Child Health Federal Consolidated Programs		4,008	-	4,008
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		70,078	-	70,078
	Subtotal Pass-Through Programs		782,915	-	325,613
	U.S. Department of Health and Human Services Total		\$ 3,743,557	\$ 324,215	\$ 2,057,475
Corporation for National and Community Service:					
Pass-through from Government of Guam Department of Labor:					
94.006	AmeriCorps	17AFHGU001001	\$ 316,763	\$ -	\$ -
	Corporation for National and Community Service Total		\$ 316,763	\$ -	\$ -
Unknown	Other Financial Aid	Unknown	\$ 73,850	\$ -	\$ -
	Grand Total		\$ 29,865,717	\$ 501,797	\$ 9,652,119

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

(1) Scope of Audit

The University of Guam (the University) is a component unit of the Government of Guam created by Public Law 13-194, "The Higher Education Act," which became effective on November 3, 1976, as an autonomous agency of the Government of Guam. Only the financial statements of the University are included within the scope of the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the University under programs of the Federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

(3) Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the University maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The University has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The University recognizes contributions from the federal government when qualifying expenditures are incurred.

The University participates in the Federal Direct Student Loan program. The value of loans presented in the Schedule of Expenditures of Federal Awards is equivalent to the amount of new loans during the year.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 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 federal programs:

- | | |
|---|---|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 9. Identification of major federal programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| Various | Research and Development Cluster |
| Various | TRIO Cluster |
| 93.632 | University Centers for Excellence in Developmental Disabilities, Education, Research, and Service |
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$ 911,025 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2019

Please see pages 16 and 17 for the Schedule of Prior Year Findings and Questioned Costs.



Date: April 30, 2020

To: Frances Danieli
Associate Comptroller/Bursar
Administration & Finance
University of Guam

From: Frederick Granillo
Network Director
Pacific Islands SBDC Network/Guam SBDC

Re: Summary Schedule of Prior Year Audit Findings

Hafa Adai Ms. Danieli,

Please see the Pacific Islands SBDC Network/Guam SBDC's response to findings from the 2017 audit conducted by Deloitte.

Corrective Action Plan:

In response to the 2017 Audit findings from Deloitte, the Pacific Islands SBDC Network exceeded the following goals for CY2019: New Business Started (33 actual versus 8 goal), Jobs Supported (1,500 actual versus 453 goal), and Clients Served (694 actual versus 125 goal). We did not meet the Capital Infusion goal of \$2,929,468 as our actual was \$2,238,082 or 76% of goal. We did not achieve this goal due to the bank's tight requirements in qualifying for commercial loans. Further, many clients did not possess satisfactory credit standing acceptable to the bank.

Our mitigation action during 2019 included hiring a Business Advisor – Independent Contractor to assist in increase of counseling and training activities to achieve the stated goals. A Network Director was hired in March 2020 after a seven month process. This will provide stabilization to the program and an increased focus on achieving the goals for the network. The SBA allowed our training activities to consolidate into counseling given the assistance to our clients so this permits us to increase the number of clients served and achieve such goal. Given the challenges with our current COVID-19 environment and our focus to assist clients affected by the pandemic, we have shifted temporarily into separate goals to meet the surge in demand for Federal assistance under the CARES Act. Also under the Cares Act provided additional funding for SBDC's to build capacity and meet that demand for assistance and recovery.

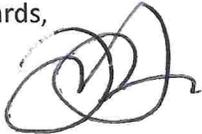
Given that goals are set in the prior year, we cannot change our current goals for 2020 with the SBA. However, for 2021 we will maintain two separate goals, one under COVID19 affected businesses which is expected to go late into 2021 and one under core operations. Given the split focus on assisting clients we will seek reduction in our 2021 core program goals.

Name of Contact Person: Frederick Granillo, Network Director, Pacific Islands SBDC/Guam SBDC

Proposed Completion Date: Ongoing

Please feel free to contact me with any questions or concerns regarding the information provided.

Regards,



Network Director
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