

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

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

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**YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 26, 2021.

### **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) as a basis for designing 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.

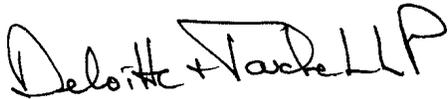
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

March 26, 2021

## **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, 2020. 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, 2020.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be significant deficiencies.

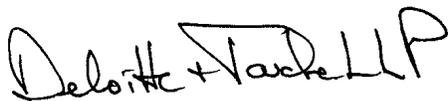
The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated March 26, 2021, 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.



March 26, 2021

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

Summary Schedule of Expenditures of Federal Awards, by Grantor  
Year Ended September 30, 2020

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 4,146,193
U.S. Department of Commerce	651,518
U.S. Department of Defense	2,319,685
U.S. Department of the Interior	1,322,830
National Aeronautics and Space Administration	240,569
Institute of Museum and Library	18,672
National Science Foundation	1,554,200
U.S. Small Business Administration	691,943
U.S. Environmental Protection Agency	105,341
U.S. Department of Education	17,469,911
U.S. Department of Health and Human Services	3,679,637
Corporation for National and Community Service	328,030
Unknown	56,022
Grand Total	\$ <u><u>32,584,551</u></u>

Reconciliation to the basic financial statements:

Operating revenues - Federal grants and contracts	\$ 36,301,984
Indirect cost allocation in operating expenses	(1,792,385)
Allocated to general fund	(1,922,308)
Program income in operating expenses	<u>(2,740)</u>
	\$ <u><u>32,584,551</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**UNIVERSITY OF GUAM**  
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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

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		\$ 438,538	\$ -	\$ 438,538
10.028	Wildlife Services		113,496	-	113,496
10.202	Cooperative Forestry Research		84,791	-	84,791
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,377,162	-	1,377,162
10.308	Resident Instruction Grants for Insular Area Activities		75,834	-	75,834
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		80,149	-	80,149
10.329	Crop Protection and Pest Management Competitive Grants Program		14,062	-	-
10.500	Cooperative Extension Service		1,129,699	-	-
10.514	Expanded Food and Nutrition Education Program		68,716	-	-
10.515	Renewal Resource Capacity Grant		7,267	-	-
10.652	Forestry Research		5,673	-	5,673
10.664	Cooperative Forestry Assistance		6,126	-	6,126
10.680	Forest Health Protection		83,457	-	64,347
10.912	Environmental Quality Incentives Program		11,514	-	11,514
	Subtotal Direct Programs		3,496,484	-	2,257,630
Pass-through from Government of Guam Department of Agriculture:					
		Various			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		6,000	-	6,000
10.170	Specialty Crop Block Grant Program - Farm Bill		195,063	-	162,869
10.664	Cooperative Forestry Assistance		11,706	-	-
Pass-through from Utah State University:					
10.215	Sustainable Agriculture Research and Education	07-298-3455	29,194	-	29,194
Pass-through from Michigan State University:					
10.215	Sustainable Agriculture Research and Education	62-544-7982	60,307	-	60,307
Pass-through from University of California:					
10.304	Homeland Security Agricultural	04-712-0084	7,557	-	7,557
Pass-through from University of Hawaii:					
10.310	Agriculture and Food Research Initiative (AFRI)	96-508-8057	104,275	-	104,275

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Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

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
	Pass-through from Government of Guam Department of Public Health and Social Services: SNAP Cluster:	14-1700-009			
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		227,715	-	-
	Subtotal SNAP Cluster		227,715	-	-
	Pass-through from University of Hawaii:	96-508-8057			
10.912	Environmental Quality Incentives Program		7,892	-	289
	Subtotal Pass-Through Programs		649,709	-	370,491
	U.S. Department of Agriculture Total		\$ 4,146,193	\$ -	\$ 2,628,121
	Direct from U.S. Department of Commerce:				
11.417	Sea Grant Support		\$ 326,887	\$ -	\$ 326,887
11.427	Fisheries Development and Utilization Research and Development		9,924	-	9,924
11.473	Coastal Services Center		11,617	-	11,617
11.482	Coral Reef Conservation Program		16,478	-	16,478
	Subtotal Direct Programs		364,906	-	364,906
	Pass-through from the Research Corporation of the University of Hawaii:	Z10129876			
11.012	Integrated Ocean Observing System		4,640	-	4,640
	Pass-through from The Micronesia Conservation Trust:	MCT/NOAAAC2/Y2/2015/01			
11.482	Coral Reef Conservation Program		76,618	-	76,618
	Pass-through from Government of Guam Bureau of Statistics and Planning:	NA13NOS4820012			
11.482	Coral Reef Conservation Program		205,354	-	191,194
	Subtotal Pass-Through Programs		286,612	-	272,452
	U.S. Department of Commerce Total		\$ 651,518	\$ -	\$ 637,358
	Direct from the U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms		\$ 292,917	\$ -	\$ -
12.300	Basic and Applied Scientific Research		1,789,151	-	1,789,151
12.632	Legacy Resource Management Program		222,967	-	222,967
	Subtotal Direct Programs		2,305,035	-	2,012,118
	Pass-through from Guam Waterworks Authority:	85-502-8057			
12.600	Community Investment		14,650	-	-
	Subtotal Pass-Through Programs		14,650	-	-
	U.S. Department of Defense Total		\$ 2,319,685	\$ -	\$ 2,012,118

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Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

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:				
15.650	Research Grants (Generic)		\$ 7,788	\$ 7,788	7,788
15.657	Endangered Species Conservation Recovery Implementation Funds		14,931	-	14,931
15.805	Assistance to State Water Resources Research Institutes		279,025	-	279,025
15.808	U.S. Geological Survey_ Research and Data Collection		198,114	-	198,114
15.875	Economic, Social, and Political Development of the Territories		213,841	-	64,226
15.945	Cooperative Research and Training Programs Resources of the National Park System		23,069	-	23,069
	Subtotal Direct Programs		<u>736,768</u>	-	<u>587,153</u>
	Pass-through from U.S. Fish and Wildlife Service				
15.608	Fish and Wildlife Management Assistance	AG-122008G005	322	-	322
	Pass-through from Government of Guam Department of Agriculture:				
15.634	State Wildlife Grants	85-502-3235	1,250	-	1,250
15.875	Economic, Social, and Political Development of the Territories		182,626	-	
	Pass-through from the University of Hawaii:				
15.820	National Climate Change and Wildlife Science Center	965088057	100,134	-	100,134
	Pass-through from the Office of Insular Affairs:				
15.875	Economic, Social, and Political Development of the Territories	778904292	11,060	-	11,060
	Pass-through from Government of Guam Bureau of Statistics and Planning:				
15.875	Economic, Social, and Political Development of the Territories	77-890-4292	290,670	-	-
	Subtotal Pass-Through Programs		<u>586,062</u>	-	<u>112,766</u>
	U.S. Department of the Interior Total		<u>\$ 1,322,830</u>	<u>\$ -</u>	<u>\$ 699,919</u>
	Direct from the U.S. Department of Justice:				
	Direct from National Aeronautics and Space Administration:				
43.008	Education		\$ 154,829	\$ 154,829	
	Pass-through from University of Hawaii:				
43.008	Education	80NSSC17M0028	85,740	-	85,740
	National Aeronautics and Space Administration Total		<u>\$ 240,569</u>	<u>\$ -</u>	<u>\$ 240,569</u>
	Direct from Institute of Museum and Library Services:				
45.301	Museums for America		\$ 18,672	\$ -	\$ 18,672
	Institute of Museum and Library Services Total		<u>\$ 18,672</u>	<u>\$ -</u>	<u>\$ 18,672</u>
	Direct from National Science Foundation:				
47.070	Computer and Information Science and Engineering		\$ 98,956	\$ -	\$ 98,956
47.075	Social, Behavioral, and Economic Sciences		61,415	-	61,415
47.076	Education and Human Resources		237,108	-	237,108
47.083	Office of Integrative Activities		1,110,600	-	1,110,600
	Subtotal Direct Programs		<u>1,508,079</u>	-	<u>1,508,079</u>

**UNIVERSITY OF GUAM**  
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Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

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
	Pass-through from University of Hawaii:	HI 120009			
47.076	Education and Human Resources		<u>46,121</u>	<u>-</u>	<u>46,121</u>
	Subtotal Pass-Through Programs		<u>46,121</u>	<u>-</u>	<u>46,121</u>
	National Science Foundation Total		<u>\$ 1,554,200</u>	<u>\$ -</u>	<u>\$ 1,554,200</u>
	Direct from Small Business Administration:				
59.037	Small Business Development Centers		<u>\$ 691,943</u>	<u>\$ 203,528</u>	<u>\$ -</u>
	U.S. Small Business Administration Total		<u>\$ 691,943</u>	<u>\$ 203,528</u>	<u>\$ -</u>
	Direct from Environmental Protection Agency				
66.461	Regional Wetland Program Development Grants		<u>\$ 96,788</u>	<u>\$ -</u>	<u>\$ 96,788</u>
	Subtotal Direct Program		<u>\$ 96,788</u>	<u>\$ -</u>	<u>\$ 96,788</u>
	Pass-through from Guam Environmental Protection Agency:	83-000-0027			
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		<u>\$ 8,553</u>	<u>\$ -</u>	<u>\$ -</u>
	U.S. Environmental Protection Agency Total		<u>\$ 105,341</u>	<u>\$ -</u>	<u>\$ 96,788</u>

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Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

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:					
Student Financial Assistance Cluster:					
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)		\$ 154,000	\$ -	\$ -
84.032	Archived		156,591	-	-
84.033	Federal Work-Study Program		390,517	-	-
84.063	Federal Pell Grant Program		7,638,164	-	-
84.268	Federal Direct Student Loans		5,155,801	-	-
84.379	Teacher Education Assistance for College and Higher Education Grants		<u>142,948</u>	-	-
	Student Financial Assistance Cluster Subtotal		13,638,021	-	-
TRIO Cluster:					
84.042	TRIO Student Support Services		349,500	-	-
84.044	TRIO Talent Search		348,746	-	-
84.047	TRIO Upward Bound		<u>359,041</u>	-	-
	TRIO Cluster Subtotal		1,057,287	-	-
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act:				
84.425E	Higher Education Emergency Relief Fund - Student aid		\$ 2,281,602	\$ -	\$ -
84.425F	Higher Education Emergency Relief Fund - Institutional Portion		<u>461,386</u>	-	-
	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Subtotal		2,742,988	-	-
	Subtotal Direct Programs		<u>17,438,296</u>	-	-
Pass-through from San Jose State University:					
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	56820715	\$ 12,720	\$ -	\$ -
Pass-through from Guam Department of Education:					
84.403A	Consolidated Grants to the Insular Areas	56820715	<u>18,895</u>	-	-
	Subtotal Pass-Through Programs		<u>31,615</u>	-	-
	U.S. Department of Education Total		<u>\$ 17,469,911</u>	<u>\$ -</u>	<u>\$ -</u>
Direct from U.S. Department of Health and Human Services:					
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards		\$ 133,799	\$ 14,094	\$ -
93.251	Universal Newborn Hearing Screening		368,200	159,710	-
93.307	Minority Health and Health Disparities Research		501,658	-	501,658
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		96,443	-	-
93.397	Cancer Centers Support Grants		783,511	-	783,511
93.464	ACL Assistive Technology		115,856	-	-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		516,652	-	-
93.787	Title V Sexual Risk Avoidance Education Program (Discretionary Grants)		17,643	-	-
93.969	PPHF Geriatric Education Centers		<u>605,073</u>	-	<u>605,073</u>
	Subtotal Direct Programs		3,138,835	173,804	1,890,242

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Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

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
	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		43,289	-	-
93.110	Maternal and Child Health Federal Consolidated Programs		9,945	-	-
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education		3,771	-	-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		158,869	-	-
93.505	Maternal, Infant, and Early Childhood Home Visiting Cluster: Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		35,672	-	-
93.870	Maternal, Infant and Early Childhood Home visiting Grant Program Maternal, Infant, and Early Childhood Home Visiting Cluster		96,356	-	-
	Subtotal		<u>347,902</u>	-	-
	Pass-through from Pennsylvania State University:	various			
93.310	Trans-NIH Research Support		153,640	-	153,640
	Pass-through from University of Hawaii:	96-508-8057			
93.397	Maternal and Child Health Federal Consolidated Programs		3,861	-	3,861
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		35,399	-	35,399
	Subtotal Pass-Through Programs		<u>540,802</u>	-	<u>192,900</u>
	U.S. Department of Health and Human Services Total		<u>\$ 3,679,637</u>	<u>\$ 173,804</u>	<u>\$ 2,083,142</u>
	Corporation for National and Community Service:				
	Pass-through from Government of Guam Department of Labor: AmeriCorps	77908151	\$ 328,030	\$ -	\$ -
	Corporation for National and Community Service Total		<u>\$ 328,030</u>	<u>\$ -</u>	<u>\$ -</u>
Unknown	Other Financial Aid	Unknown	\$ 56,022	\$ -	\$ -
	Grand Total		<u>\$ 32,584,551</u>	<u>\$ 377,332</u>	<u>\$ 9,970,887</u>

**UNIVERSITY OF GUAM**  
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Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

(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, 2020. 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, 2020

**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?  | Yes        |
| 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)? | Yes        |
| 9. Identification of major federal programs:  |            |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
10.500	Cooperative Extension Service
59.037	Small Business Development Centers
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

- |  |            |
|--|------------|
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$ 977,537 |
| 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**

<u>Finding Number</u>	<u>DFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2020-001	59.037	Special Tests and Provisions	\$ -

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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

Finding No.: 2020-001  
Federal Agency: Small Business Administration  
CFDA Program: CFDA 59.037 – Small Business Development Centers  
Federal Award No: SBAHQ-20-B-0064 and SBAHQ-20-C-0064  
Area: Special Tests and Provisions  
Questioned Costs: \$0

Criteria:

As part of the special tests and conditions for award year 2020, the following grant-agreed recipient responsibilities state: “conduct the budget funded under this award in accordance with your approved Technical proposal, goals, milestones, and budget.”

Condition:

A summary of target goals compared to actual performance is summarized below.

Requirement:	Amount Required	Amount as of 09/30/2020	Deficiency Over (under)
Capital infusion	\$ 2,929,468	\$ 957,483	\$ (1,971,985)

Cause:

The program is in potential noncompliance with grant award special tests and conditions, which appear to have been impacted by COVID 19. A revised goal agreement with the grantor agency does not appear to have been reached.

Effect:

The program is in potential noncompliance with special tests and conditions. However, no questioned cost is presented since program goals are dependent upon economic impact.

Recommendation:

We recommend that the University continue to strengthen procedures to document whether agreed-upon goals are met and renegotiate attainable goals with Grantor funding agencies.



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Corrective Action Plan  
Year Ended September 30, 2020

Views of Auditee and Corrective Action Plan: In FY2020, the Pandemic gave rise to the CARES Act which presented an unprecedented challenge to assist small businesses within our region with the SBA disaster relief loan products. As such, our network was presented with additional funding of \$1.28M and separate metrics to assist small businesses with their resiliency programs. Our Network CARES Act actual results to date against the brief goals is as follows:

CARES Act Milestones	Actual	Goal	% Goal
Clients - Training/Counseling	506	465	109%
FT Jobs Supported	11,625	1,838	632%
Disaster Capital Funding	\$4,698,873	\$1,988,715	236%

Based on the foregoing denotes the main reason for not achieving our CORE Capital Infusion goal. Other issues affecting our ability to achieve the goal include client’s insufficient personal credit, lack of or issues with collaterals, strict lending environment, and reduced bank’s credit appetite for startup or existing businesses. It is noted that those factors are outside of SBDC’s control. Capital Infusion goal is a performance measure and is not directly tied to actual dollars or funding for our program. It should also be noted the Pacific Islands SBDC Network exceeded the following goals for CY2020: New Business Started (12 actual versus 8 goal), Jobs Supported (3,855 actual versus 452 goal), and Clients Served (274 actual verses 125 goal) and Training Events (175 actual verses 144 goal).

Our corrective action plan for FY2021 includes hiring a Business Advisor – Independent Contractor to assist in increase of counseling and training activities to achieve the stated CORE goals. The Guam Lead Center team was completely changed in FY2020 with a Network Director starting in April 2020 and a new Associate Network Director and two new Business Advisors hired between July to October 2020. With a capable team having gone through a most challenging time, the program is stable with an increased focus on achieving the goals for the network. Plus we learned how to balance our CORE program with the CARES Act goals by hiring our seven independent contractors working on assisting affected businesses with the continued SBA disaster loan programs.

The SBA does not change goals during the grant year. So we do our best to achieve our stated goals and explain any differences. Despite operating two separate programs with their own goals we decided to maintain our CORE goals similar to prior year. We would also note that our Guam Lead Center SBDC received their accreditation from ASBDC in 2018 without special conditions. SBA also completed their programmatic review of the SBDC program with no findings in 2019. In 2020, SBA also completed their financial audit review without findings.

Name of Contact Person: Frederick Granillo, Network Director, Pacific Islands Small Business Development Center Network

Proposed Completion Date: Ongoing



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Schedule of Prior Year Findings and Questioned Costs  
Year Ended September 30, 2020

Questioned Cost:

There are no questioned costs reported as of September 30, 2020.

Summary Schedule of Prior Year Audit Findings:

As of September 30, 2020, the status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2017 is as follows:

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Requirement</u>	<u>Status at September 30, 2020</u>
2017-001	59.037	Special Test and Provisions	Not resolved. See the Corrective Action Plan for Finding 2020-001