

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

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

YEAR ENDED SEPTEMBER 30, 2018

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, 2018, 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 2, 2019.

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.

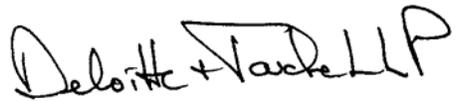
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

May 2, 2019

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, 2018. 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, 2018.

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.

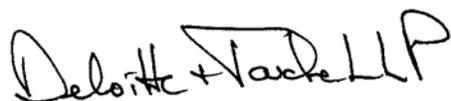
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated May 2, 2019, 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 + Tuckers LLP". The signature is written in a cursive, stylized font.

May 2, 2019

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

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2018

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 4,558,589
U.S. Department of Commerce	841,929
U.S. Department of Defense	1,527,277
U.S. Department of the Interior	492,514
U.S. Department of Justice	68,333
National Archives and Records Administration	326,403
Institute of Museum and Library	16,833
National Science Foundation	1,317,612
U.S. Small Business Administration	555,104
U.S. Environmental Protection Agency	76,414
U.S. Department of Education	15,550,968
U.S. Department of Health and Human Services	3,522,534
Corporation for National and Community Service	67,367
U.S. Department of Homeland Security	433,025
Grand Total	\$ <u><u>29,354,902</u></u>

Reconciliation to the basic financial statements:

Operating revenues - Federal grants and contracts	\$ 30,902,851
Indirect cost allocation in operating expenses	(1,392,571)
Program income in operating expenses	(6,500)
Miscellaneous cost in operating expenses	<u>(148,878)</u>
	\$ <u><u>29,354,902</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, 2018

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		\$ 412,771		\$ 412,771
10.202	Cooperative Forestry Research		152,814		152,814
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,529,709		1,529,709
10.304	Homeland Security Agricultural		13,241		13,241
10.308	Resident Instruction Grants for Insular Area Activities		168,536		168,536
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		50,589		-
10.328	National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program		2,818		-
10.329	Crop Protection and Pest Management Competitive Grants Program		25,241		-
10.500	Cooperative Extension Service		1,245,811		-
10.652	Forestry Research		233,308		233,308
10.664	Cooperative Forestry Assistance		42,075		42,075
10.675	Urban and Community Forestry Program		66,491		66,491
10.680	Forest Health Protection		107,100		103,512
10.868	Rural Energy for America Program		10,069		10,069
	Subtotal Direct Programs		4,060,573	-	2,732,526
Pass-through from Government of Guam Department of Agriculture:					
10.170	Specialty Crop Block Grant Program - Farm Bill	none identified	179,490		179,490
Pass-through from Government of Guam Department of Public Health and Social Services:					
SNAP Cluster:					
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	14-1700-009	183,871		-
	SNAP Cluster Subtotal		183,871	-	-
Pass-through from Utah State University:					
10.215	Sustainable Agriculture Research and Education	07-298-3455	36,448		36,448
Pass-through from Utah State University:					
10.215	Sustainable Agriculture Research and Education	87-474-9364	24,524		-
Pass-through from Kansas State University:					
10.500	Cooperative Extension Service	S17076	22,500		-
Pass-through from University of Hawaii:					
10.912	Environmental Quality Incentives Program	69-3A75-17-54	51,183		51,183
	Subtotal Pass-Through Programs		498,016	-	267,121
	U.S. Department of Agriculture Total		\$ 4,558,589	\$ -	\$ 2,999,647

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

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:					
11.008	NOAA Mission-Related Education Awards		\$ 24,901	\$ -	-
11.417	Sea Grant Support		339,439		339,439
11.427	Fisheries Development and Utilization Research and Development		50,460		50,460
11.482	Coral Reef Conservation Program		77,435		77,435
	Subtotal Direct Programs		<u>492,235</u>	-	<u>467,334</u>
Pass-through from the Research Corporation of the University of Hawaii:					
11.012	Integrated Ocean Observing System	Z10129876	6,646		6,646
11.432	Special Oceanic and Atmospheric Projects		26,649		26,649
Pass-through from Government of Guam Bureau of Statistics and Planning:					
11.419	Coastal Zone Management Administration Awards	C150601450	13,919		13,919
11.482	Coral Reef Conservation Program	W14090003	10,029		10,029
Pass-through from The Micronesia Conservation Trust:					
11.482	Coral Reef Conservation Program	MCT/NOAAAC2/Y2/2015/01	52,645		52,645
Pass-through from Government of Guam Bureau of Statistics and Planning:					
11.482	Coral Reef Conservation Program	NA13NOS4820012	235,030		235,030
Pass-through from University of Hawaii:					
11.482	Coral Reef Conservation Program	MCT-NOACA2X/2015/01	4,776		4,776
	Subtotal Pass-Through Programs		<u>349,694</u>	-	<u>349,694</u>
	U.S. Department of Commerce Total		<u>\$ 841,929</u>	<u>\$ -</u>	<u>\$ 817,028</u>
Direct from the U.S. Department of Defense:					
12.002	Procurement Technical Assistance For Business Firms		\$ 301,889	\$ -	-
12.300	Basic and Applied Scientific Research		1,139,358		1,139,358
12.600	Community Investment		86,030		-
	U.S. Department of Defense Total		<u>\$ 1,527,277</u>	<u>\$ -</u>	<u>\$ 1,139,358</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

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:				
15.605	Sport Fish Restoration		\$ (77,932)		\$ (77,932)
15.650	Research Grants (Generic)		6,410		6,410
15.657	Endangered Species Conservation Recovery Implementation Funds		93,501		93,501
15.805	Assistance to State Water Resources Research Institutes		223,524		223,524
15.875	Economic, Social, and Political Development of the Territories		80,653		-
15.945	Cooperative Research and Training Programs Resources of the National Park System		47,052		47,052
15.946	Cultural Resources Management		-		-
	Subtotal Direct Programs		<u>373,208</u>	-	<u>292,555</u>
	Pass-through from the Research Corporation of the University of Hawaii:				
15.820	National Climate Change and Wildlife Science Center	Various	60,732		60,732
	Pass-through from Government of Guam Bureau of Statistics and Planning:				
15.875	Economic, Social, and Political Development of the Territories	W16-0900-008	58,574		26,876
	Subtotal Pass-Through Programs		<u>119,306</u>	-	<u>87,608</u>
	U.S. Department of the Interior Total		<u>\$ 492,514</u>	<u>\$ -</u>	<u>\$ 380,163</u>
	Direct from the U.S. Department of Justice:				
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus		\$ 68,333		\$ -
	U.S. Department of Justice Total		<u>\$ 68,333</u>	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

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		\$ 324,312	\$ -	\$ 324,312
	Pass-through from University of Hawaii:				
43.008	Education	80NSSC17M0028	\$ 2,091	-	2,091
	Subtotal Pass-Through Programs		2,091	-	2,091
	National Archives and Records Administration Total		\$ 326,403	\$ -	\$ 326,403
	Direct from Institute of Museum and Library Services:				
45.301	Museums for America		\$ 16,833	\$ -	-
	Institute of Museum and Library Services Total		\$ 16,833	\$ -	-
	Direct from National Science Foundation:				
47.050	Geosciences		\$ 6,743	\$ -	\$ 6,743
47.070	Computer and Information Science and Engineering		62,549	-	-
47.074	Biological Sciences		27,210	-	27,210
47.076	Education and Human Resources		110,968	-	110,968
47.083	Office of Integrative Activities		1,058,499	-	1,058,499
	Subtotal Direct Programs		1,265,969	-	1,203,420
	Pass-through from University of Hawaii:				
47.074	Biological Sciences	HI 120009	5,413	-	5,413
47.076	Education and Human Resources		46,230	-	46,230
	Subtotal Pass-Through Programs		51,643	-	51,643
	National Science Foundation Total		\$ 1,317,612	\$ -	\$ 1,255,063
	Direct from Small Business Administration:				
59.037	Small Business Development Centers		\$ 555,104	\$ 108,009	\$ -
	U.S. Small Business Administration Total		\$ 555,104	\$ 108,009	\$ -
	Pass-through from Government of Guam Guam Environmental Protection Agency:				
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	85-503-2046	\$ 76,414	\$ -	-
	Subtotal Pass-Through Programs		76,414	-	-
	U.S. Environmental Protection Agency Total		\$ 76,414	\$ -	-

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

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)		133,275		-
84.033	Federal Work-Study Program		392,552		-
84.063	Federal Pell Grant Program		7,681,928		-
84.268	Federal Direct Student Loans		6,062,195		-
84.379	Teacher Education Assistance for College and Higher Education Grants		94,334		-
	Student Financial Assistance Cluster Subtotal		<u>14,364,284</u>	-	-
	TRIO Cluster:				
84.042	TRIO Student Support Services		298,179		-
84.044	TRIO Talent Search		350,552		-
84.047	TRIO Upward Bound		424,243		-
	TRIO Cluster Subtotal		<u>1,072,974</u>	-	-
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		20,243		-
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		-		-
	Subtotal Direct Programs		<u>20,243</u>	-	-
	U.S. Department of Education Total		<u>\$ 15,550,968</u>	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

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		\$ 302,332	\$ 232,991	\$ -
93.251	Universal Newborn Hearing Screening		326,759	12,737	-
93.307	Minority Health and Health Disparities Research		543,965		543,965
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		157,916		157,916
93.397	Cancer Centers Support Grants		926,264		926,264
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National X		4,000		-
93.464	ACL Assistive Technology		78,053		-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		<u>552,120</u>		<u>-</u>
	Subtotal Direct Programs		2,891,409	245,728	1,628,145
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		36,960		-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances		-		-
93.110	Maternal and Child Health Federal Consolidated Programs		10,000		-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance		162,407		-
93.424	NON-ACA/PPHF Building Capacity of the Public Health System to Improve Population Health through National X		15,379		-
93.505	Maternal, Infant, and Early Childhood Home Visiting Cluster: Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		<u>121,956</u>		<u>-</u>
	Subtotal		346,702	-	-
Pass-through from Pennsylvania State University:					
93.310	Trans-NIH Research Support	various	173,979		173,979
Pass-through from University of Hawaii:					
93.397	Maternal and Child Health Federal Consolidated Programs	2U54CA143728-06A1	26,249		26,249
Pass-through from the Research Corps of the University of Hawaii:					
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	NU58DP006312-01-00	<u>84,195</u>		<u>84,195</u>
	Subtotal Pass-Through Programs		<u>631,125</u>	-	<u>284,423</u>
	U.S. Department of Health and Human Services Total		<u>\$ 3,522,534</u>	<u>\$ 245,728</u>	<u>\$ 1,912,568</u>
Corporation for National and Community Service:					
94.006	Pass-through from Government of Guam Department of Labor: AmeriCorps	17AFHGU001001	<u>\$ 67,367</u>	<u>\$ -</u>	<u>\$ -</u>
	Corporation for National and Community Service Total		<u>\$ 67,367</u>	<u>\$ -</u>	<u>\$ -</u>
Pass-through from Government of Guam Department of Homeland Security:					
97.047	Pre-Disaster Mitigation	W170280-002	<u>\$ 433,025</u>	<u>\$ -</u>	<u>\$ -</u>
	Subtotal Pass-Through Programs		<u>433,025</u>	<u>-</u>	<u>-</u>
	U.S. Department of Homeland Security Total		<u>\$ 433,025</u>	<u>\$ -</u>	<u>\$ -</u>
	Grand Total		<u>\$ 29,354,902</u>	<u>\$ 353,737</u>	<u>\$ 8,830,230</u>

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, 2018

(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, 2018. 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, 2018

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	Student Financial Assistance Cluster
93.251	Universal Newborn Hearing Screening

- | | |
|--|------------|
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$ 880,647 |
| 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, 2018

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



DT: February 27, 2019

TO: Zeny Asuncion-Nace, Comptroller
Administration & Finance
University of Guam

FR: Denise M. Mendiola, Acting Network Director
Pacific Islands SBDC Network/ Guam SBDC

RE: Summary Schedule of Prior Year Audit Findings

Hafa Adai Ms. Asuncion-Nace,

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 negotiated with SBA to lower our CY2018 goals to 128 Long Term Clients (LTCs), 30 New Business Start-ups/Bought a Business and \$2,515,000 Capital Infusion. Our CY2018 milestones report submitted to our host, advisory board and service centers indicates we exceeded our LTC goals by 104.69%, and Capital Infusion by 259.27%. However, we only achieved 63.33% of our New Business Start-ups/Bought a Business goal. Several external challenges contributed to the inability of our Network to achieve the New Business Start-ups/Bought a Business goal: The elimination of DOI Compact Impact funds to private sector development operations, including the funding of the Yap, Chuuk and Kosrae SBDCs; Typhoon Manghut and Yutu that caused catastrophic disasters in CNMI (Saipan, Tinian and Rota); and the increased restrictions to the funding of new small businesses lacking collateral and equity by lending institutions in the FSM and Republic of Palau. However, the high capital infusion indicates that existing businesses still have the ability to access funding opportunities. In September 2018, SBA changed our CY2019 goals to 125 Clients Served, 8 New Business Starts, \$2,929,468 Capital Infusion, and 453 Jobs Supported. Consequently, we adjusted our CY2019 strategy to focus on the growth and sustainability of existing businesses and their employees. In addition, we updated our Standard Operating Procedures to further strengthen our relationship with our service centers and stakeholders. Considering our above-average performance, we believe these new goals are realistic, achievable and should avert further potential findings.

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Proposed Completion Date: Ongoing

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

Si Yu'us Ma'ase',



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