

GUAM COMMUNITY COLLEGE

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

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

YEAR ENDED SEPTEMBER 30, 2011

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

Board of Trustees
Guam Community College:

We have audited the financial statements of Guam Community College (the College), and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2011, and which collectively comprise its basic financial statements and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

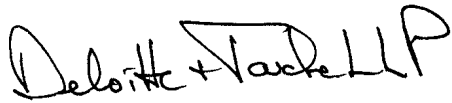
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

February 27, 2012

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

Board of Trustees
Guam Community College:

Compliance

We have audited Guam Community College's (the College) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2011. The College's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs (page 6). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

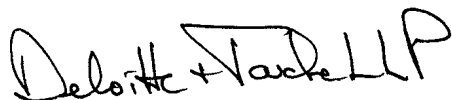
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01. 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.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Guam Community College (the College), and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2011, and which collectively comprise its basic financial statements and have issued our report thereon dated February 27, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of management of the College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



February 27, 2012

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

CFDA #	Federal Grantor/Program Title	Expenditures
10.780	U.S. Department of Agriculture (Direct Loan) ARRA Communities Facilities Loans and Grants	\$ <u>2,227,158</u> *
	Total U.S. Department of Agriculture	<u>2,227,158</u>
15.875	U.S. Department of the Interior: Pass-Through the Governor's Office: Economic, Social, and Political Development of the Territories	<u>1,128,496</u>
	Total U.S. Department of the Interior	<u>1,128,496</u>
17.261	U.S. Department Labor: Pass-Through the Guam Department of Labor: WIA Pilots, Demonstrations, and Research Projects	<u>168,495</u> *
	Total U.S. Department Labor	<u>168,495</u>
47.076	National Science Foundation (Direct Program): Education and Human Resources	<u>7,365</u>
	Total National Science Foundation	<u>7,365</u>
81.041	U.S. Department of Energy Pass-Through the Guam State Energy ARRA State Energy Program	<u>1,050,644</u> *
	Total U.S. Department of Energy	<u>1,050,644</u>
84.002A	U.S. Department of Education (Direct Programs): Adult Education - Basic Grants to States	347,791
84.007	Federal Supplemental Educational Opportunity Grants	45,842 *
84.031A	Higher Education-Institution Aid	533,930 *
84.033	Federal Work-Study Program	72,065 *
84.042A	TRIO-Student Support Services	275,177
84.048A	Career and Technical Education -- Basic Grants to States	886,178
84.063	Federal Pell Grant Program	5,713,272 *
84.069A	Leveraging Educational Assistance Partnership	11,059
84.069B	Leveraging Educational Assistance Partnership	17,569
84.378A	College Access Challenge Grant Program	765,634
84.382B	Strengthening Minority-Serving Institutions	<u>571,158</u>
	Subtotal Direct Programs	9,239,675
84.397A	Pass-Through Guam Department of Education: ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	4,172,608 *
84.403	Consolidated Grant to the Outlying Areas	<u>218,878</u> *
	Subtotal Pass-through Guam Department of Education	<u>4,391,486</u>
	Total U.S. Department of Education	<u>13,631,161</u>
93.587	U.S. Department of Health and Human Services (Direct Programs): Promote the Survival and Continuing Vitality of Native American Languages	<u>245,348</u>
	Subtotal Direct Program	245,348
93.824	Pass-Through Guam Department of Public Health and Social Services: Area Health Education Centers Infrastructure Development Awards	<u>125,551</u> *
	Subtotal Pass-Through Guam Department of Public Health and Social Services	<u>125,551</u>
	Total U.S. Department of Health and Human Services	<u>370,899</u>
94.005	Corporation for National and Community Service: Pass-Through the University of Guam: Learn and Serve America Higher Education	<u>13,806</u> *
	Total Corporation for National and Community Service:	<u>13,806</u>
	Total Federal Awards	\$ <u><u>18,598,024</u></u>

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

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

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

Part I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

- | | |
|---|-------------|
| Internal control over major programs: | |
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.780	ARRA Communities Facilities Loans and Grants
17.261	WIA Pilots, Demonstrations, and Research Projects
81.041	ARRA - State Energy Program
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Education Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.031	Higher Education-Institution Aid
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
84.403	Consolidated Grants to the Outlying Areas
93.824	Area Health Education Centers Infrastructure Development Awards
94.005	Learn and Serve America Higher Education

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$557,941 |
| 11. The College qualified as a low-risk auditee? | Yes |

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

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Part II - Financial Statement Findings Section

No items are reportable.

Part III - Federal Award Findings and Questioned Cost Section

<u>Finding #</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>
11-01	10.780	Procurement and Suspension and Debarment	\$ -

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

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2011

Finding No.: 11-01
Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.780 Communities, Facilities, Loans and Grants
Grant Number: GU-97-04
Area: Procurement and Suspension and Debarment
Questioned Costs: \$0

Criteria:

In accordance with applicable procurement requirements, the grantee shall establish written procurement procedures. These procedures shall provide, at a minimum, one of the procedures at 2 CFR 215.44, which includes to provide the specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.

Condition:

For one or (14%) of 7 transactions tested, the records in the procurement file originally appeared to indicate that the bid solicitation indicated restriction of open competition by specifying a brand name:

<u>Tran Date</u>	<u>Document #</u>	<u>PO #</u>	<u>Amount</u>
2/6/11	I0018577	P1002328	\$ 14,679

Cause:

The Guam Community College did not originally document this transaction in accordance with its procurement process.

Effect:

No questioned cost is presented for this finding because we determined that the entity demonstrated competition by obtaining competitive quotations but did not adequately document such within the procurement file until this transaction was chosen in the audit.

Recommendation:

Procurement files should be sufficient to substantiate the basis and rationale of the procurement.

Auditee Corrective Action Plan:

The Guam Community College follows the Federal Procurement regulations and the Guam Procurement Laws as stated under 5 GCA Chapter 5 and 2 GAR Procurement regulations. The Procurement Inventory Administrator ensures that the College is in compliance with these procedures and that they are strictly followed. The Materials Management Office will provide refresher training to administrative staff, administrators, and faculty department chairs to go over the procurement requirements and documentation required for all requisition of goods, supplies, services, and equipment. The Materials Management Office will ensure that all requisitions have adequate documentation to support compliance with the both federal and local procurement laws and regulations prior to approval of the transaction.

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

Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended September 30, 2011

There are no prior year audit findings and questioned costs applicable to this entity.