

Compliance and Internal Control

Guam Community College

(A Component Unit of the Government of Guam)

Year Ended September 30, 2022



Guam Community College
(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control

For the Year Ended September 30, 2022

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Report of Independent Auditors 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

Management and Board of Trustees
Guam Community College

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Guam Community College's (College's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *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, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other 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 items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. As discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 College as of and for the year ended September 30, 2022, and have issued our report thereon dated August 22, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Ernst + Young LLP

August 22, 2023

Guam Community College
(A Component Unit of the Government of Guam)

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal AL #	Pass-through Entity Identifying Number	Additional Award Identification	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of the Interior:					
Direct Programs:					
Economic, Social and Political Development of the Territories					
15.875	D21AP10125-00	Not applicable	Technical Assistance Program	\$ 144,606	\$ ---
15.875	D21AP10163	Not applicable	Maintenance Assistance Program	110,836	---
15.875	D21AP10225-00	Not applicable	Solar Panel System Program	235	---
Subtotal Direct Programs				<u>255,677</u>	<u>---</u>
Pass-Through From the Office of the Governor of Guam					
Economic, Social and Political Development of the Territories					
15.875	D20AF00007	Not applicable	Forensic DNA Laboratory Equipment	449,917	---
15.875	D18AP00145	Not applicable	Tourism Programs Assistance	334,835	---
Subtotal Pass-Through Programs				<u>784,752</u>	<u>---</u>
Total U.S. Department of the Interior				<u>1,040,429</u>	<u>---</u>
U.S. Department of Labor:					
Pass-Through From the Office of the American Association of Community Colleges (AACC)					
17.285	AP-33025-19-75-A11	Not applicable	Apprenticeship USA Grants	60,878	---
Total U.S. Department of Labor				<u>60,878</u>	<u>---</u>
National Science Foundation:					
Pass-Through From the University of Hawaii:					
Research and Development Cluster:					
47.076	HI1445	Not applicable	Education and Human Resources	16,412	---
Total Research and Development Cluster and Total National Science Foundation				<u>16,412</u>	<u>---</u>
U.S. Department of Education:					
Direct Programs:					
84.002	Not applicable	Not applicable	Adult Education - Basic Grants to States	121,888	340,100
Student Financial Assistance Cluster:					
84.007	Not applicable	Not applicable	Federal Supplemental Educational Opportunity Grants	74,284	---
84.033	Not applicable	Not applicable	Federal Work-Study Program	83,723	---
84.063	Not applicable	Not applicable	Federal Pell Grant Program	3,739,594	---
Total Student Financial Assistance Cluster				<u>3,897,601</u>	<u>---</u>
Education Stabilization Fund (ESF) Section 2:					
84.425	Not applicable	COVID-19 84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	2,598,100	---
84.425	Not applicable	COVID-19 84.425F	HEERF Institutional Portion	1,721,781	---
84.425	Not applicable	COVID-19 84.425L	HEERF Minority Serving Institutions (MSIs)	810,000	---
Total Education Stabilization Fund Section 2				<u>5,129,881</u>	<u>---</u>
Subtotal Direct Programs				<u>9,149,370</u>	<u>340,100</u>
84.002	Not applicable	Not applicable	Pass-Through From the Northern Marianas College: Adult Education - State Administered	31,231	---
Pass-Through From the Office of the Governor of Guam:					
ESF Section 1:					
84.425	Not applicable	COVID-19 84.425H	Education Stabilization Fund - Governors (Outlying Areas)	1,363,800	---
Subtotal Pass-Through Programs				<u>1,395,031</u>	<u>---</u>
Total U.S. Department of Education				<u>10,544,401</u>	<u>340,100</u>
Total Expenditures of Federal Awards				<u>\$ 11,662,120</u>	<u>\$ 340,100</u>
Reconciliation to the basic financial statements:					
				\$ 9,368,610	
				<u>2,633,610</u>	
				<u>\$ 12,002,220</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

Guam Community College
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Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2022

1. Scope of Audit

Guam Community College (the College) is a component unit of the Government of Guam established by the enactment of Public Law 14-77, "The Community College Act of 1977." Only the transactions of the College 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 College under programs of the federal government for the year ended September 30, 2022. 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 College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

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 College 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.

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

The College elected to use the 8% indirect cost rate in the EDGAR. The College does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Guam Community College
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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X **Yes** _____ **No**

Significant deficiency(ies) identified?

 X **Yes** _____ **None reported**

Type of auditor's report issued on compliance for major federal programs:

All major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X **Yes** _____ **No**

Guam Community College
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Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditor's Results, continued

Identification of major federal programs:

<u>Assistance Listing Number (s)</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of Territories
84.002	Adult Basic Education- Basic Grants to States
84.425	<u>Education Stabilization Fund:</u>
84.425H	Education Stabilization Fund- Governors (Outlying Areas)
84.425E	Higher Education Emergency Relief Fund Student Portion
84.425F	Higher Education Emergency Relief Fund Institutional Portion
84.425L	Higher Education Emergency Relief Fund Minority Serving Institutions

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low risk auditee?

X Yes No

Guam Community College
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Schedule of Findings and Questioned Costs, continued

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding No.	ALN	Requirement	Questioned Costs
2022-001	84.002	Activities Allowed or Unallowed	\$ -
2022-002	84.002	Period of Performance	-
		Total Questioned Costs	\$ -

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Schedule of Findings and Questioned Costs, continued

Finding No. 2022-001

Federal Agency: U.S. Department of Education
 ALN and Title: 84.002 – Adult Education – Basic Grants to States
 Federal Award Number: V002A200061
 Compliance Requirement: Activities Allowed or Unallowed
 Questioned Cost: \$0

Criteria:

In accordance with applicable activities allowed or unallowed requirements and the Guam State Plan for program years 2020-2023, the state eligible agency shall provide adult education and literacy activities, including Career and Technical Education (CTE) electives from the same career program of study area as part of the student’s approved plan of study.

Condition:

For 3 (or 11%) of 28 samples, aggregating \$80,231 of \$552,945 in total unaudited program costs, the program was charged tuition and fees for students who attended the College’s CTE Programs. In an email dated April 13, 2023, the grantor stated, “In summary, it is not allowable for local programs to use Title II funds to pay for stand-alone CTE courses.” No evidence was provided by the College to substantiate that the CTE courses are not stand-alone courses. Details of the total tuition and fees related to the College’s CTE programs during the year, including the 3 samples tested, are summarized below.

Reference No.	Description	Activity Date	Amount
J0018394	Y3 Reg Fee for Winter 2021	01/10/22	\$ 1,176
J0018498	Y3 Reg Fee for Fa21	02/23/22	2,352
J0018580	SP22 AHS Billing	03/21/22	19,754
J0018648	AHS Sp 2022	04/27/22	390
J0018828	AHS Summer Billing	06/30/22	10,205
J0019104	Y1 Fall 2022 Summary Billing	09/29/22	25,849
Total			\$ 59,726

No questioned cost is presented for this finding because the College subsequently returned \$59,726 to the grantor on June 8, 2023 with G5 refund identification no. R2306074881.

Cause:

The College’s Adult Education Program - SEA personnel was of the understanding that CTE courses were allowable based on 29 USC 3274 Sec. 205, which states, “Nothing in this title shall be construed to prohibit or discourage the use of funds provided under this title for adult education and literacy activities that help eligible individuals transition to postsecondary education and training or employment, or for concurrent enrollment activities.”

Guam Community College
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Schedule of Findings and Questioned Costs, continued

Finding No. 2022-001, continued

Federal Agency:	U.S. Department of Education
ALN and Title:	84.002 – Adult Education – Basic Grants to States
Federal Award Number:	V002A200061
Compliance Requirement:	Activities Allowed or Unallowed
Questioned Cost:	\$0

Effect:

The College is not in compliance with applicable activities allowed or unallowed requirements.

Recommendation:

Prior to charging activities to the program, the College should consider seeking clarification and approval from the grantor agency to verify compliance with the grant.

Views of responsible officials:

See Corrective Action Plan.

Guam Community College
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Schedule of Findings and Questioned Costs, continued

Finding No. 2022-002

Federal Agency: U.S. Department of Education
 ALN and Title: 84.002 – Adult Education – Basic Grants to States
 Federal Award Number: V002A190061
 Compliance Requirement: Period of Performance
 Questioned Cost: \$0

Criteria:

In accordance with applicable period of performance requirements, a non-Federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s period of performance. Grant award V002A190061 specifies that the period of performance is from July 1, 2019 to September 30, 2020 with additional costs that can be obligated up to September 30, 2021 and liquidated through January 28, 2022.

Condition:

For 5 (or 18%) of 28 samples, aggregating \$80,231 of \$552,945 in total unaudited program costs, the cost was incurred subsequent to September 30, 2021 and was charged to award number V002A190061 after the award’s period of performance ended on September 30, 2021.

Reference No.	Description	Transaction Date	Amount
F0022259	HR Payroll 2021 BW 22 0	10/28/2021	\$ 3,778
F0022313	HR Payroll 2021 BW 23 0	11/10/2021	2,448
F0022380	HR Payroll 2021 BW 24 0	11/24/2021	3,339
F0022435	HR Payroll 2021 BW 25 0	12/9/2021	1,207
J0018372	21V0Y3 Accrual and Exp Trnf	12/28/2021	119
Total			\$10,891

No questioned cost is presented for this finding because the costs could be charged to award number V002A200061 with a period of performance from July 1, 2020 to September 30, 2021 with additional costs that can be obligated up to September 30, 2022 and liquidated through January 28, 2023. This grant award has an available balance of \$120,138 as of September 30, 2022. The College provided journal voucher number J00019662, transferring the cost to the available award.

Cause:

The College did not enforce monitoring controls over compliance with applicable period of performance requirements. Program personnel was of the understanding that costs may be incurred through the award’s liquidation end date.

Effect:

The College is not in compliance with applicable period of performance requirements of the grant.

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Schedule of Findings and Questioned Costs, continued

Finding No. 2022-002, continued

Federal Agency:	U.S. Department of Education
ALN and Title:	84.002 – Adult Education – Basic Grants to States
Federal Award Number:	V002A190061
Compliance Requirement:	Period of Performance
Questioned Cost:	\$0

Recommendation:

The College’s management should enforce monitoring controls over compliance with applicable period of performance requirements. Responsible personnel should seek clarification from the grantor as to whether costs may be incurred through the award’s liquidation end date.

Views of responsible officials:

See Corrective Action Plan.



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Corrective Action Plan

For the Year Ended September 30, 2022

Finding No.: 2022-001

Views of responsible officials and planned corrective actions:

The College will ensure that new program courses and other areas not addressed in the state plan are reviewed and approved by the grantor to verify compliance with grant requirements. In addition, finance and program staff will be trained on allowable costs and activities, as well as other aspects of grant management.

Contact Person: Rodalyn Gerardo, Vice President for Finance & Administration

Expected Completion Date: September 30, 2023

Finding No.: 2022-002

Views of responsible officials and planned corrective actions:

The College has taken steps to charge the cost to the appropriate grant award number. The College will ensure that future costs are properly charged to the correct grant award number and that costs are within the appropriate period of performance. In addition, finance and program staff will be trained on period of performance requirements, as well as other aspects of grant management.

Contact Person: Rodalyn Gerardo, Vice President for Finance & Administration

Expected Completion Date: September 30, 2023