



OFFICE OF THE PUBLIC AUDITOR

UOG Incurs Loss of \$1.2 Million

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According to the audited financial statements of the University of Guam (UOG), The University had a \$1.2 million loss (referred to as a decrease in net assets under GASB 35) during FY 2002. An increase in operating cost of \$2,409,765, which consists of an increase in personnel costs of \$405,126 contributed to the loss. Depreciation expense was \$2,250,731; this did not affect cash flow. The audit, which was performed by Deloitte Touche Tohmatsu, was required to be completed by June 30 th , but the devastation of Typhoon Pongsona in December 2002 delayed the issuance.

In FY 2002, UOG adopted the Government Accounting Standards Board Statement No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis* . GASB 35 establishes new financial and accounting standards for the University, designed to provide a brief, objective, and easily readable analysis of the its financial activities. Another change brought about by GASB 35 is the recognition of depreciation expense for library books.

UOG elected not to disclose restated 2001 financial statements due to the time constraint and the difficulty of converting prior year figures compatible with GASB 35. This is considered common practice among many American colleges and universities, which have implemented GASB 35. The lack of comparative presentation makes it difficult to assess the performance of UOG for FY 2002. A Management's Discussion and Analysis is presented to explain some of the variances. UOG has stated that comparative figures will be available for FY 2003 and thereafter.

One of the findings cited in the Report on Compliance and Internal Controls involved the untimely clearance of advances made to vendors. This finding was cited in UOG's FY 2001 audit and as of FY 2002, the finding still has not been fully resolved. UOG has \$68,448 of advances not yet cleared, which, is an improvement from the previous balance of \$226,654.

Other findings include 1) insufficient supporting documentation for a sole source procurement of \$17,999 worth of lab equipment; 2) the late submission of a progress report to a grantor agency; 3) the failure to file travel clearances within ten days of return from travel; and 4) the inclusion of an unusable and obsolete underwater camera system in the fixed asset inventory. UOG's responses and corrective action plans for all FY 2002 findings can be found in the Single Audit Report for FY 2002, which was issued along with the audited financial statements.

Relative to an Energy Conservation Project that was abandoned in FY 2001, UOG is currently attempting to void a contract related to the project in court and will continue to pursue the matter of recovering whatever public funds can legally be returned. UOG, however, continues to honor its long-term debt agreement and makes payments in the amount of \$14,460 per month (\$173,520 per year).

Other financial highlights for UOG are as follows:

- Federal, local, and private grants and contracts revenues increased by \$1.2 million in FY 2002.
- Government appropriations decreased by \$0.6 million, from \$31.9 million in FY 2001 to \$31.3 million in FY 2002.
- Overall personnel costs increased by \$405,126 from \$32.7 million in FY 2001 to \$33.1 million in FY 2002.
- Operating expenses not including depreciation increased by \$2,409,765.
- Investment loss for FY 2002 was \$1 million, an improvement from FY 2001's \$2.5 million loss.