

June 9, 2006

The Board of Regents
University of Guam

Gentlemen:

In planning and performing our audit of the financial statements of University of Guam (the University) for the year ended September 30, 2005, on which we have issued our report dated June 9, 2006, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding No. 2005-01 – Proof of Travel

Criteria: Travel expenses should be properly supported by boarding passes.

Condition: For thirteen of 161 (8.1%) locally funded non-payroll expenditures tested, travel claims were insufficiently supported by boarding passes.

Cause: Current procedures do not require receipt of boarding passes.

Effect: The impact of this insight may result in an abuse of travel expenses.

Recommendation: The University should evaluate its travel policies and determine whether changes should occur to address the above matters.

Finding No. 2005-02 – Travel Clearance

Criteria: In accordance with the University's travel policy, Section XIII Travel Advance, C-Recovery of Advance, clearance should be filed within ten days of return.

Condition: For thirteen of 161 (8.1%) locally funded non-payroll expenditures tested, travel clearances were not filed on a timely basis.

Cause: There appears to be a lack of controls over the timely clearing of travel clearances.

Effect: Aged travel advances may result from this insight; hence, it is important that travel clearances occur in a timely manner to deter potential bad debt expenses.

Recommendation: Internal controls should be strengthened to ensure that travel clearances occur in a timely manner.

Finding No. 2005-03 – Outstanding Travel Advances

Criteria: In accordance with University of Guam travel regulations, travel advances should be cleared within 10 days from return of travel.

Condition: The following locally funded travel advances for each specified fund have been overdue for a period of 11-86 days and did not clear until FY 2006:

Fund 20	\$ 700
Fund 53	7,510
Fund 54	2,460
Fund 56	<u>100</u>
Total	\$ <u>10,770</u>

Cause: Outstanding travel advances have not been cleared in a timely manner.

Effect: No material effect on the financial statements results from this condition.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the University of Guam.

Recommendation: Outstanding travel advances should be cleared in a timely manner.

Finding No. 2005-04 – Outstanding Tuition Fees

Criteria: Students under Veteran's Affairs scholarships should remit tuition and fees payments to the business office in a timely manner.

Condition: A student was allowed to charge tuition and fees of \$1,462 because an award from Veteran's Affairs was anticipated. However, the award was disbursed directly to the student and the amount of tuition and fees is still outstanding.

Cause: It appears the condition arose because outstanding balances have not been followed up in a consistent manner.

Effect: No material effect on the financial statements occurs as a result of this condition.

Recommendation: Discussions with Veteran's Affairs should occur with respect to ensuring that tuition and fees are paid to the University.

Finding No. 2005-05 – Procurement

Criteria: Procurement should provide for full and open competition and be performed in accordance with University of Guam requirements.

Finding No. 2005-05 – Procurement, Continued

Condition: Twenty-eight of 161 (17.4%) locally funded non-payroll expenditures tested did not contain procurement documents on file evidencing the procurement rationale. All related to travel costs.

Cause: There appears to be a lack of controls ensuring that competition remains open among vendors.

Effect: The University appears to be in noncompliance with applicable local procurement requirements.

Recommendation: Internal controls over procurement regulations should be strengthened to maximize competition while maintaining the best interests of the departments. UOG should consider setting up a method of ensuring competition for travel procurements.

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This report is intended solely for the information and use of the Board of Regents and management of the University of Guam and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the University during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

