

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

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

YEAR ENDED SEPTEMBER 30, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated April 12, 2017. Our report included a modification because the UOG Endowment Foundation, a discretely presented component unit, is unable to determine updated carrying values of donated land of \$5,530,535 as of December 31, 2015.

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.

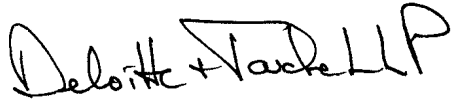
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

April 12, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE 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, 2016. 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, 2016.

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 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.

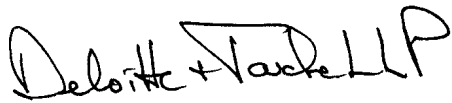
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the 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 University of Guam and its discretely presented component unit as of and for the year ended September 30, 2016, which collectively comprise the University's basic financial statements, and have issued our report thereon dated April 12, 2017, which contained an unmodified opinion on the University's financial statements and a modified opinion on the component unit's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic 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 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 + Touche LLP". The signature is written in a cursive, flowing style.

April 12, 2017

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

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2016

<u>Federal Grantor Agency</u>	<u>Expenditures</u>
U.S. Department of Agriculture	\$ 4,011,895
U.S. Department of Commerce	830,723
U.S. Department of Defense	858,112
U.S. Department of the Interior	1,212,238
U.S. Department of Justice	78,009
National Archives and Records Administration	29,589
National Science Foundation	1,410,686
Small Business Administration	648,014
National Aeronautics and Space Administration	17,167
U.S. Department of Education	16,454,598
U.S. Department of Health and Human Services	<u>3,292,062</u>
Grand Total	\$ <u><u>28,843,093</u></u>
Reconciliation to the basic financial statements:	
Operating revenues - Federal grants and contracts	\$ 30,461,032
Indirect cost allocation in operating expenses	(1,217,675)
Program income in operating expenses	<u>(400,264)</u>
	\$ <u><u>28,843,093</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, 2016

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Agriculture:					
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$ 265,201	\$	\$ 265,201
10.170	Specialty Crop Block Grant Program - Farm Bill		1,957		1,957
10.202	Cooperative Forestry Research		79,459		79,459
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		1,291,026		1,291,026
10.215	Sustainable Agriculture Research and Education		-		-
10.308	Resident Instruction Grants for Insular Area Activities		171,219		171,219
10.310	Agriculture and Food Research Initiative (AFRI)		10,718		10,718
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		160,515		160,515
10.329	Crop Protection and Pest Management Competitive Grants Program		18,207		-
10.500	Cooperative Extension Service		1,148,424		-
10.652	Forestry Research		58,752		58,752
10.675	Urban and Community Forestry Program		71,929		71,929
10.678	Forest Stewardship Program		60,952		60,952
10.680	Forest Health Protection		68,858		26,684
10.868			12,080		12,080
	Subtotal Direct Programs		3,419,297	-	2,210,492
Pass-through from Government of Guam Department of Agriculture:					
10.170	Specialty Crop Block Grant Program - Farm Bill	none identified	177,354		177,354
Pass-through from Government of Guam Department of Public Health and Social Services:					
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	14-1700-009	70,543		-
Pass-through from Utah State University:					
10.215	Sustainable Agriculture Research and Education	07-298-3455	39,405		18,117
Pass-through from University of California Davis:					
10.304	Homeland Security-Agricultural	201120630-GUAM4	13,486		13,486
Pass-through from University of Puerto Rico:					
10.308	Resident Instruction Grants for Insular Area Activities	none identified	27,213		27,213
Pass-through from University of the Virgin Islands:					
10.308	Resident Instruction Grants for Insular Area Activities	2013-70004	7,668		7,668
10.322	Distance Education Grants for Institutions of Higher Education in Insular Areas		-		-
Pass-through from University of Hawaii:					
10.310	Agriculture and Food Research Initiative (AFRI)	MA110013	199,690		-
Pass-through from University of Wyoming:					
10.500	Cooperative Extension Service	108815 G003428	29,951		-
Pass-through from Northern Marianas College:					
10.500	Cooperative Extension Service	AR0015-54005-S-CS530	4,056		-
Pass-through from Kansas State University:					
10.500	Cooperative Extension Service	S15076	23,232		-
	Subtotal Pass-Through Programs		592,598	-	243,838
	U.S. Department of Agriculture Total		\$ 4,011,895	\$ -	\$ 2,454,330

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, Continued
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of Commerce:				
11.307	Economic Adjustment Assistance	\$ 15,784	\$ -	-
11.417	Sea Grant Support	182,340	-	182,340
11.426	Financial Assistance for National Centers for Coastal Ocean Science	45,341	-	45,341
11.427	Fisheries Development and Utilization Research and Development	5,779	-	5,779
11.432	National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	18,313	-	18,313
11.452	Unallied Industry Projects	34,430	-	-
11.463	Habitat Conservation	4,113	-	4,113
11.469	Congressionally Identified Awards and Projects	1,641	-	-
11.482	Coral Reef Conservation Program	<u>314,895</u>	<u>-</u>	<u>300,988</u>
	Subtotal Direct Programs	622,636	-	556,874
11.427	Pass-through from Marine Applied Research Center, LLC. Fisheries Development and Utilization Research and Development	5,502	-	5,502
11.012	Pass-through from the Research Corporation of the University of Hawaii: Integrated Ocean Observing System	3,202	-	3,202
11.482	Pass-through from Government of Guam Bureau of Statistics and Planning: Coral Reef Conservation Program	72,894	-	72,894
11.463	Pass-through The Nature Conservancy: Habitat Conservation	48,056	-	48,056
11.482	Pass-through The Micronesia Conservation Trust: Coral Reef Conservation Program	42,563	-	42,563
11.482	Pass-through from Government of Guam Visitors Bureau: Coral Reef Conservation Program	<u>35,870</u>	<u>-</u>	<u>35,870</u>
	Subtotal Pass-Through Programs	<u>208,087</u>	<u>-</u>	<u>208,087</u>
	U.S. Department of Commerce Total	<u>\$ 830,723</u>	<u>\$ -</u>	<u>\$ 764,961</u>
Direct from the U.S. Department of Defense:				
12.00	Procurement Technical Assistance For Business Firms	\$ 284,788	\$ -	-
12.300	Basic and Applied Scientific Research	553,178	-	553,178
12.607	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	<u>20,146</u>	<u>-</u>	<u>-</u>
	U.S. Department of Defense Total	<u>\$ 858,112</u>	<u>\$ -</u>	<u>\$ 553,178</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, Continued
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from U.S. Department of the Interior:				
15.650	Research Grants (Generic)	1,200		1,200
15.657	Endangered Species Conservation Recovery Implementation Funds	109,995		109,995
15.805	Assistance to State Water Resources Research Institutes	271,279		271,279
15.808	U.S. Geological Survey_ Research and Data Collection	50,116		50,116
15.875	Economic, Social, and Political Development of the Territories	378,047		-
15.945	Cooperative Research and Training Programs Resources of the National Park System	<u>69,967</u>		<u>69,967</u>
	Subtotal Direct Programs	880,604		502,557
Pass-through from the Research Corporation of the University of Hawaii: Various				
15.820	National Climate Change and Wildlife Science Center	331,615		331,615
Pass-through from Government of Guam Department of Agriculture: W14-1600-004				
15.634	State Wildlife Grants	<u>19</u>		<u>19</u>
	Subtotal Pass-Through Programs	<u>331,634</u>	-	<u>331,634</u>
	U.S. Department of the Interior Total	<u>\$ 1,212,238</u>	<u>\$ -</u>	<u>\$ 834,191</u>
Direct from the U.S. Department of Justice:				
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	<u>78,009</u>		-
	U.S. Department of Justice Total	<u>78,009</u>	-	-
Direct from National Archives and Records Administration:				
89.003	National Historical Publications and Records Grants	<u>29,589</u>		-
	National Archives and Records Administration Total	<u>29,589</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, Continued
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Amount Pass-through	Research and Development Cluster
Direct from National Aeronautics and Space Administration:				
43.008	Education	\$ 17,167	\$	\$ 17,167
	National Archives and Records Administration Total	<u>\$ 17,167</u>	<u>\$ -</u>	<u>\$ 17,167</u>
Direct from National Science Foundation:				
47.050	Geosciences	\$ 31,004	\$	\$ 31,004
47.074	Biological Sciences	4,770		4,770
47.080	Office of Cyberinfrastructure	12,362		12,362
47.083	Office of Integrative Activities	<u>1,306,030</u>		<u>1,306,030</u>
	Subtotal Direct Programs	1,354,166		1,354,166
47.074	Pass-through from University of New Hampshire: Biological Sciences	11,521		11,521
47.076	Pass-through from University of Hawaii: Education and Human Resources	<u>44,999</u>		<u>44,999</u>
	Subtotal Pass-Through Programs	<u>56,520</u>		<u>56,520</u>
	National Science Foundation Total	<u>\$ 1,410,686</u>	<u>\$</u>	<u>\$ 1,410,686</u>
Direct from Small Business Administration:				
59.037	Small Business Development Centers	\$ 648,014	\$ 66,000	\$ -
	Small Business Administration Total	<u>\$ 648,014</u>	<u>\$ 66,000</u>	<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, Continued
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Amount Pass-through	Research and Development Cluster
	Direct from U.S. Department of Education:			
84.032	Federal Supplemental Educational Opportunity Grants			
	Student Financial Aid Cluster:			
84.007	Federal Supplemental Educational Opportunity Grants	\$ 84,000	\$ -	-
84.033	Federal Work-Study Program	395,668	-	-
84.063	Federal Pell Grant Program	7,802,246	-	-
84.268	Federal Direct Student Loans	6,645,325	-	-
84.379	Teacher Education Assistance for College and Higher Education Grants	78,117	-	-
	Student Financial Aid Cluster Subtotal	<u>15,005,356</u>	<u>-</u>	<u>-</u>
	TRIO Cluster:			
84.042	TRIO Student Support Services	283,107	-	-
84.044	TRIO Talent Search	336,025	-	-
84.047	TRIO Upward Bound	414,550	-	-
	TRIO Cluster Subtotal	<u>1,033,682</u>	<u>-</u>	<u>-</u>
84.031	Higher Education-Institutional Aid	190,595	-	-
84.032	Federal Family Education Loans	155,680	-	-
84.224	Assistive Technology	-	-	-
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	65,939	-	-
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	3,346	-	-
	Subtotal Direct Programs	<u>415,560</u>	<u>-</u>	<u>-</u>
	U.S. Department of Education Total	<u>\$ 16,454,598</u>	<u>\$ -</u>	<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, Continued
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Expenditures	Amount Pass-through	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	\$ 1,896	\$ -	-
93.110	Maternal and Child Health Federal Consolidated Programs	47,297	-	-
93.243	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	27,063	-	-
93.251	Universal Newborn Hearing Screening	281,144	-	-
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	122,121	-	-
93.307	Minority Health and Health Disparities Research	23,254	-	23,254
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	9,020	-	-
93.397	Cancer Centers Support Grants	12,451	-	12,451
93.424	NON-ACA/PPHFBuilding Capacity of the Public Health System to Improve Population Health through National X	5,750	-	-
93.464	ACL Assistive Technology	109,294	-	-
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	61,206	-	-
93.587	Promote the Survival and Continuing Vitality of Native American Languages	174,976	-	-
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	546,112	-	-
93.824	Area Health Education Centers Infrastructure Development Awards	483,539	308,265	-
	Subtotal Direct Programs	1,905,123	308,265	35,705
Pass-through from Government of Guam Department of Public Health and Social Services:				
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	27,402	-	-
93.052	National Family Caregiver Support, Title III, Part E	-	-	-
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	250,821	-	-
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	84,311	-	-
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	67,209	-	-
93.310	Pass-through from Pennsylvania State University: Trans-NIH Research Support	107,083	-	107,083
93.397	Pass-through from University of Hawaii: Maternal and Child Health Federal Consolidated Programs	765,722	-	765,722
93.283	Pass-through from the Research Corps of the University of Hawaii: Centers for Disease Control and Prevention-Investigations and Technical Assistance	84,391	-	84,391
	Subtotal Pass-Through Programs	1,386,939	-	957,196
	U.S. Department of Health and Human Services Total	\$ 3,292,062	\$ 308,265	\$ 992,901
	Grand Total	\$ 28,843,093	\$ 374,265	\$ 7,027,414

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, 2016

(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 the Uniform Guidance audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of the Interior
- U.S. Department of Justice
- National Archives and Records Administration
- National Science Foundation
- Small Business Administration
- National Aeronautics and Space Administration
- U.S. Department of Education
- U.S. Department of Health and Human Services

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University and is presented on the accrual basis of accounting, consistent with the manner in which the University maintains its accounting records. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. All expenses and capital outlays are reported as expenditures.

The University recognizes contributions from the federal government when qualifying expenditures are incurred, and expenditures are recognized on the accrual basis of accounting.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Modified |
| 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? | Yes |
| 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 Section 200.516(a) of the Uniform Guidance? | No |
| 9. Identification of major federal programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
59.037	Research and Development Cluster Small Business Development Centers TRIO Cluster

- | | |
|--|------------|
| 10. Dollar threshold used to distinguish between type A and type B programs: | \$ 865,293 |
| 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

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Cost</u>
2016-001	59.037	Special Tests and Provisions	\$ -

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Finding No.: 2016-001
Federal Agency: U.S. Small Business Administration
CFDA Program: CFDA 59.037 – Small Business Development Centers
Area: Special Tests and Provisions
Questioned Costs: \$ -

Criteria: As part of the special terms and conditions for award year 2016, the following grant-agreed recipient responsibilities state: "the negotiated goals set for this award are 151 SBDC long term clients receiving 5 hours or more of counseling within one year, including preparation and contract time. Additional negotiated goals are 45 new businesses created and \$2,515,000 capital infusion (to include SBA loans, non-SBA loans and equity investment).

Condition: A summary of target goals compared to actual performance is summarized below.

Requirement:	<u>Amount Required</u>	<u>Amount as of 09/30/2016</u>	<u>Deficiency over/ (under)</u>
1) 151 SBDC Long -term clients	151	128	(23)
Receiving 5 hours or more of counseling within one year.	755	1,935	1,180
2) 45 new businesses created	45	20	(25)
3) \$2,515,000 capital infusion		Loans \$ 1,317,028	
		Equity	
		Investment <u>742,831</u>	
	\$ <u>2,515,000</u>	Total \$ <u>2,059,859</u>	\$ <u>(455,141)</u>

Cause: The cause of the above is due to a restructuring of the directorship in the CNMI and Palau network service sites and a new advisor on Guam.

Effect: The effect of the above condition is potential noncompliance with award special terms and conditions.

Recommendation: We recommend that the University continue to strengthen procedures to ensure that agreed upon goals are met.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Finding No.: 2016-001, Continued
Federal Agency: U.S. Small Business Administration
CFDA Program: CFDA 59.037 – Small Business Development Centers
Area: Special Tests and Provisions
Questioned Costs: \$ -

Auditee Response and Corrective Action Plan:

We concur with your finding. However, note that the goals were not met due to half our advising staff leaving their position (three for higher paying jobs, one to continue their education and one passing away) after the goals were set which wa not something that could be anticipated at the grant submittal August of 2015. The SBA also has had a policy of not allowing modifications to milestones during the grant period through a pre-approved amendments so this was not an option.

For the 2017 calendar year, we will do everything possible to ensure to meet the goals set by trying to expedite the new staff training and then in CY 2018 negotiate the goals down when we are able to based on talks with our SBA Grant Manager, Erika Fischer. In our twenty-two year history we have almost always met or well exceeded our goals and will be once again after the new staff are all trained and goals are lowered somewhere between the number needed based on our population size and the high goals that have been established over the years. New staff training usually takes one year to get them up to speed with the training needed to be generating their required economic impact so several of the new staff started late last year and one starts on March 1, 2017 so all centers should be functioning at normal operations sometime during this calendar year.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2016

There were no unresolved audit findings and questioned costs from the prior year audits of the University.