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May 18, 2020

Dr. Thomas W. Krise
President
University of Guam
UOG Station
Mangilao, Guam 96923

Dear Dr. Krise:

In planning and performing our audit of the financial statements of the University of Guam (the University) as of and for the year ended September 30, 2019 (on which we have issued our report dated May 18, 2020), 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, we considered the University's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we have identified, and included in the attached Appendix I, deficiencies related to the University's internal control over financial reporting and other matters as of September 30, 2019 that we wish to bring to your attention.

We have also issued a separate report to the Board of Regents, also dated May 18, 2020, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

Although we have included management's written response to our comments in the attached Appendix I, such responses have not been subjected to the auditing procedures applied to our audit and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Regents, others within the organization, the Office of Public Accountability - Guam and the Federal cognizant agency and is not intended to be and should not be used by anyone other than these specified parties.

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We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the University for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte & Touche LLP

SECTION I –DEFICIENCIES

We identified the following deficiencies involving the University's internal control over financial reporting for the year ended September 30, 2019 that we wish to bring to your attention at this time:

1. Notes Receivable

   Condition: Tests of notes receivable disclosed the following:

   - Note xx143 has no movement since 2006 and has been provided with a 100% allowance for doubtful accounts.

   Recommendation: We recommend that accounts be monitored and that the University consider writing-off long outstanding receivables with no movement.

   Auditee Response: The University will provide a provision for an Allowance for Uncollectible accounts for the long outstanding receivables with no movement.

2. Nonmoving and Inactive Accounts

   Comment: Tests of due from (to) accounts noted the following:

   - A number of accounts related to due from (to) grantor agencies had no movement since the prior year with net receivable amount of $689,289 as of September 30, 2019.

   - Other receivables at September 30, 2019 included the following inactive items:

     1) Account #110606672 - $51,124 (A/R-OTHERS)
     2) Account #110606667 - $7,437 (A/R-OTHERS)
     3) Account #110600310 - $4,046(A/R-INVOICES)
     4) Account #110600910 - $49,910 (A/R RETURNED CKS/SVS CHARGE)
     5) Account #110601510 - $25,333 (A/R-ADVANCES ADMIN/FACULTY)
     6) Account #110606728 - $4,058 (A/R-LIBRARY FINE FEES)
     7) Account #110401051 - $325,000 (DISB FR/REIMB TO ENDOW)

   The above inactive accounts include funds advanced for program expenditures which may no longer be reimbursable.

   Recommendation: We recommend that the University perform timely analysis of general ledger accounts and assess long outstanding inactive accounts and document required corrective action.

   Auditee Response: The University will provide a provision for an Allowance for Uncollectible accounts for the long outstanding inactive accounts.

3. Procurement

   Comment: Test of non-payroll disbursements noted the following:

   - Reference # V0652192 of $7,584 for various expenses relating to the UOG Fitness Room was not supported with sufficient procurement documents including the basis of vendor selection.

   - Reference # V0645122 of $11,750 exceeded the original PO amount but was not supported with an amendment or a new PO for the excess. The expense was also recorded in the wrong period.

SECTION I –DEFICIENCIES, CONTINUED

3. Procurement, Continued

   Recommendation: We recommend that the University strengthen monitoring procedures over procurement documentation. Specifically, the Procurement Office should maintain documentation supporting vendor selection.

   Auditee Response: The University's Procurement Office will ensure full compliance review for all PO requests as a standard practice in regards to open solicitation and vendor selection with supporting documentation. Before a PO is generated or adjusted, a copy of these supporting documents will be kept and uploaded as an electronic file on E-trieve and Doc-E-Scan for compliance and future reference.

SECTION II – OTHER MATTERS

Other matters related to our observations concerning operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention at this time are as follows:

1. Payroll

   Comment: Tests of payroll expenditures noted the following:

   - One of twenty-six employee timesheets did not evidence supervisory approval, but the payroll was processed.

   Recommendation: We recommend that management revisit its policies and procedures on timesheet preparation and approval as UOG changes from manual to online process through its Web Time Entry (WTE).

   Auditee Response: The University will work with the Human Resources Office and Office of Information and Technology to implement internal controls for supervisors to approve employee timesheets before payroll is processed.

SECTION III – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The University's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.