

**MANAGEMENT LETTER
SEPTEMBER 30, 2010**



UNIVERSITY OF GUAM

To the Board of Regents
The University of Guam
Mangilao, Guam


In planning and performing our audit of the financial statements of the University of Guam as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered The University of Guam's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider deficiencies in the University's internal control and presented in the attachment to this letter to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Regents, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Boise, Idaho
February 17, 2011

SIGNIFICANT DEFICIENCY

Audit Adjustments

Condition:

During the course of the audit there was an adjustment that was proposed as a result of audit procedures.

Recommendation:

The client should examine current controls and make the necessary changes to ensure that all adjustments are included in the trial balance.

Management's Response:

The primary area of concern is incomplete recording of fixed asset depreciation, which resulted in the understatement of the depreciation expense in the unaudited trial balance submitted to the external auditors. A quality control review of the fixed asset listing shall be performed before closing the books to ensure that the depreciation is correctly recognized in the trial balance before submitting to the external auditors.

OTHER CONDITIONS

Travel Reimbursements

Condition:

We reviewed the University's list of outstanding travel advances as of September 30, 2010, and found the following:

- Of the ten outstanding travel advances reviewed, four un-liquidated advances were past 10 working days, some over one hundred days past due.
- Business Office accountant failed to implement the offset of outstanding travel advance against traveler's paycheck.

Recommendation:

We recommend that the University monitors and strictly implement its travel guidelines or change its policy to allow for a longer period of travel clearance.

Management's Response:

The Business Office Accountant in charge of the Travel Unit has been reassigned. The General Accounting Supervisor is now working closely with the new Travel Accountant to closely monitor the travel activities, to include monthly reporting. In addition, we will change the travel clearance policy period from 10 business days to 21 business days to better reflect the length of travel clearance processing and payroll offset cycle where necessary.

Student Financial Aid Cluster

Condition:

During our testing of the students granted aid during FYE 2010, it was noted that, of the students selected for verification, there was one instance of missing documentation within the student file to verify critical information.

Recommendation:

During the student verification process, all documentation used to verify required information should be retained in the student files.

Management's Response:

The Financial Aid Director has implemented new protocols utilizing a checklist system that will be verified by each financial aid counselor handing student files. Additionally, each file handled by a financial aid counselor (with the exception of a newly created file) and removed from the file room will have to be signed out with the Administrative Officer and will only be released when the content of the file has been verified according to the content checklist. Files returned to the file room will also be verified and any new documents added to the file noted and logged. Financial aid staff will only be allowed to hold a file for no longer than 5 working days.