

**MANAGEMENT LETTER  
SEPTEMBER 30, 2009**



**UNIVERSITY OF GUAM**



CPAs & BUSINESS ADVISORS

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

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In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The University of Guam as of and for the year ended September 30, 2009, 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.

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.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control that we consider to be a significant deficiency noted below.

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.

*Eide Bailly LLP*

Boise, Idaho  
February 18, 2010

## SIGNIFICANT DEFICIENCY

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### *Financial Close Process*

**Condition:**

As a result of the changes in accounting personnel, the implementation of a quicker close, certain adjustments were discovered.

**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 General Ledger (GL) at the end of each fiscal year is normally kept open for at least 75 days to accommodate receipt and processing of invoices received from the various departments. This fiscal year end, the GL closing procedures were accelerated to make way for an early audit. The GL closed early November 2009, a month early. This has caused some invoices from other units to be excluded from the Trial Balance and have necessitated the recording of these transactions as adjusting entries instead of as regular entries.

## OTHER CONDITIONS

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### *CFDA 10.203 - Payments to Agricultural Experimental Stations Under Hatch Act*

#### Condition:

During testing it was noted that there was one employee that was being reimbursed under this grant for one hundred percent of their salary; however the individual did not spend one hundred percent of his/her time on this particular grant. The amount of questioned cost was \$15,709.

#### Recommendation:

Expenditures submitted for reimbursement should be reviewed to verify that the expenditures being submitted for reimbursement are actually valid expenditures incurred under the grant.

#### Management's Response:

We concur with this finding. During FY2008/2009, the employee in question worked for the principal investigator for the hatch grant "*Characterization of the Species Corynespora Cassiicola and its Impact on Quarantine Regulations*" that expired FY2008. As a result of an oversight, this grant was not extended for FY2008/2009.

### *Check Signing Policy*

#### Condition:

The University's policy for check signing is that all checks over \$5,000 be manually signed by the VP of Finance and the Comptroller. During our testing, we noted 3 checks over the threshold that were not manually signed.

#### Recommendation:

The University needs to follow its check signing policy.

#### Management's Response:

The above condition related to checks issued to students for their Pell/Stafford Grants. Since this type of transaction has gone through a quality control review process both under the Financial Aid Office and the Bursar Office, the University policy for check signing shall be amended to exclude these transactions in the threshold requiring signatures from VP of Finance and the Comptroller.

### *Bank Reconciliation*

#### Condition:

We noted that bank reconciliation does not occur in a timely manner; hence, reconciling items outstanding for greater than 60 days such as deposits in transit and outstanding checks have not been closely monitored.

#### Recommendation:

The University should more closely monitor and clear bank reconciling items and follow up on items outstanding for greater than 60 days to ensure these are valid cash transactions.

#### Management's Response:

We concur. The Cash Accountant is now required to secure the General Accounting Supervisor's initials on monthly bank reconciliation to indicate reconciliations have been reviewed and prepared in a timely manner. The GAS will report all untimely reconciliations and items outstanding over 60 days to the Comptroller, and will take appropriate action to have the reconciliation completed as soon as possible.