REPORT OF INDEPENDENT AUDITORS,
AND FINANCIAL STATEMENTS WITH SUPPLEMENTARY
INFORMATION AND SINGLE AUDIT REPORTS

AMERICAN SAMOA COMMUNITY COLLEGE

(A Component Unit of the American Samoa Government)

For the Year Ended September 30, 2019

MOSSADAMS

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Report of Independent Auditors

The Board of Higher Education
American Samoa Community College

Report on the Financial Statements

We have audited the accompanying financial statements of American Samoa Community College (the College), a component unit of the American Samoa Government, which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Samoa Community College as of September 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 10, the College has restated its 2018 financial statements to correct errors made in accounting for certain expenditures that should have been capitalized and the corresponding accumulated depreciation and depreciation expense. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 7, the schedules of the College's proportionate share of net pension liability on page 28 and schedule of contributions on page 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2020, on our consideration of American Samoa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of American Samoa Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Samoa Community College's internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
April 17, 2020

This section of the annual financial report of the American Samoa Community College (ASCC or College) is designed to help the reader understand from an overview and analysis point of view, the financial activities of the College based on current known facts, decisions, and other conditions during this reporting period. The report is designed to provide the reader with the understanding that it is a summary of the past years' activities and it should be reviewed together with the financial statements and accompanying notes to the financial statements. The principal officers of the College are Dr. Rosevonne Makaiwi-Pato, President, Letupu Moananu, VP of Academic and Student Affairs, and Sonny Leomiti, VP of Administration and Finance.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019:

- Total assets decreased by $622 thousand or 2.3%.
- Cash and cash equivalents decreased by $116 thousand or 11%.
- Net capital assets decreased by $625 thousand or 4.7%.
- Non-current liabilities decreased by $489 thousand or 5.2% due to the Net Pension Liability decrease.
- Restricted Position (endowment funds) increased by $124 thousand or 4.0%.
- Operating revenues decreased by $1,084 thousand or 11.8%. This is due to a decrease of revenues in federal grant revenue due to the completion of a building in the prior year, which was grant funded.
- Operating expenses decreased by $470 thousand or 3.3%. This is due to a decrease of other expenses due to write offs and increases in instructional and administrative support.
- Non-operating revenues increased by $1,263 thousand or 37.1%. This is due to an increase of Government appropriations.
- Operating loss of $5,607 thousand in 2019 compared to an operating loss in 2018 of $4,993 thousand. This is due to a decrease in operating expenses and a decrease in operating revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Audit Report includes the Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements with accompanying notes, Supplementary Information and Disclosures in Accordance with Governmental Accounting Standards Board requirements.

The financial statements of ASCC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Under this basis of accounting, revenues are recognized in the period for which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

The *Statement of Net Position* presents information on all of ASCC's assets and liabilities with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on the accrual basis. The statement also identifies any restrictions on the net assets of the College.

All of the current year's revenues and expenses are reported in the *Statement of Revenues, Expenses and Changes in Net Position.* This statement provides a measurement of ASCC's operations over the past year and can be used to determine whether ASCC has successfully recovered all its costs through its tuition and fees and other charges and also to analyze sustainability and self-supportiveness of its operations.

The *Statement of Cash Flows* provides information about ASCC's cash receipts and cash payments during the reporting period. The statement reports cash receipts and cash payments resulting from operating, financing, and investing activities. When read with other financial reports, related disclosures and information, the statement of cash flows should provide insight into (a) ASCC's ability to generate future net cash flows, (b) ASCC's ability to meet its obligations as they come due, (c) ASCC's needs for additional financing, (d) the reasons for differences between operating income and associated cash receipts and payments, and (e) the effects on ASCC's financial position of both its cash and its non-cash investing, capital, and financing transactions during the period. The changes in cash balances are an important indicator of ASCC's liquidity and financial condition.

The *Notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. This includes, but is not limited to significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations, and subsequent events, as applicable.

FINANCIAL ANALYSIS

Condensed Statement of Net Position (000's)

	2019	2018 (as restated)
ASSETS		
Current and restricted assets	$ 5,200	$ 4,999
Noncurrent and restricted assets	15,694	16,319
Deferred outflows of resources - pension	5,312	5,510
Total assets	$ 26,206	$ 26,828
NET POSITION AND LIABILITIES		
Current liabilities	$ 3,336	$ 3,399
Noncurrent liabilities	8,853	9,342
Investment in capital assets	12,811	13,319
Restricted net position	3,255	3,131
Unrestricted net position	(6,332)	(5,780)
Deferred inflows of resources - pension	4,283	3,417
Total net position and liabilities	$ 26,206	$ 26,828

Current assets increased by $323 thousand or 4%. The decrease is due to decreases of cash and cash equivalents, tuition receivable, and inventory. Current assets are those assets that mature in less than one year.

Net position continues to provide the foundation for ASCC's financial position. The unrestricted net position decreased by $552 thousand or 9.6% mainly due to a decrease of federal grant revenue and expenditures for capital assets. However, these assets continue to earn revenue for growth, and the College draws on its income as seed or matching funds for certain qualified programs. $3 million of net assets is not available for future spending, nor used to liquidate any of liabilities.

Current liabilities decreased by $63 thousand or 1.9%. The overall decrease is contributed mainly to the decrease in accounts payable and accrued payroll.

Current liabilities are those obligations payable within one year. The current ratio is at 1.56 in fiscal year end (FYE) 2019 in comparison to 1.47 in FYE 2018.

Condensed Statement of Revenues, Expenses, and Changes in Net Position ($000s)

	2019	2018 (as restated)
OPERATING REVENUES		
Federal grants	$ 4,684	$ 5,625
Tuition and fees	2,949	3,229
Auxiliary enterprises	367	334
Other grant revenue	113	9
Total operating revenues	8,113	9,197
OPERATING EXPENSES		
Instructional	5,061	4,703
Administrative support	3,548	3,346
Agricultural research	2,753	2,915
Student services	1,147	1,133
Other	301	1,246
Depreciation	910	847
Total operating expenses	13,720	14,190
NET OPERATING REVENUES (LOSS)	(5,607)	(4,993)
NON-OPERATING REVENUES	4,671	3,408
CHANGE IN NET POSITION	(936)	(1,585)
NET POSITION, beginning of year	10,669	12,254
NET POSITION, end of year	$ 9,733	$ 10,669

The statement of revenues, expenses, and changes in net position provides answers as to the nature and source of these changes.

Two Year Comparison of Financial Ratios

	2019	2018 (as restated)
NET POSITION TO TOTAL ASSETS RATIO		
Represents how much of the total assets are not leveraged with payables and accrued liabilities.		
Net position	$ 9,733	$ 10,669
Total assets	26,206	26,828
Net position to total assets ratio	37.14%	39.77%
WORKING CAPITAL		
The amount of current assets in excess of current liabilities.		
Current assets	$ 5,200	$ 4,999
Current liabilities	3,336	3,399
Working capital	$ 1,864	$ 1,600
CURRENT RATIO		
Current assets compared to current liabilities.		
Current assets	$ 5,200	$ 4,999
Current liabilities	3,336	3,399
Current ratio	1.56	1.47
RATE OF RETURN		
Change in net position as a percentage of net position.		
Change in net position	$ (936)	$ (1,585)
Net position	9,733	10,669
Rate of return	-9.62%	-14.86%

REQUEST FOR INFORMATION

All requests for additional information in regards to this report may be addressed to American Samoa Community College, Chief Financial Officer, P.O. Box 2609, Pago Pago, American Samoa 96799-2609.

American Samoa Community College
(a Component Unit of American Samoa Government)
Statement of Net Position
September 30, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 935,333
Tuition and fees receivable, net of allowance of $3,666,605	1,912,796
Grant receivable	770,648
Other receivable	35,064
Inventories	739,466
Prepaid expenses	552,504
Restricted assets	
Cash and cash equivalents	60,527
Investments	177,701
Interest receivable	16,434
Total current assets	5,200,473
NONCURRENT ASSETS	
Restricted assets - endowment investments	3,000,000
Capital assets, net	12,694,429
Total noncurrent assets	$ 15,694,429

DEFERRED OUTFLOWS OF RESOURCES

DEFERRED CHARGES ON NET PENSION LIABILITY	$ 5,312,249
Total assets and deferred outflows of resources	$ 26,207,151

LIABILITIES AND NET POSITION LIABILITIES

CURRENT LIABILITIES	
Accounts payable	$ 925,392
Advances from grantors	221,073
Unearned revenue	1,275,079
Accrued payroll and other employee benefits	274,830
Accrued compensated absences - current position	640,728
Total current liabilities	3,337,102
NONCURRENT LIABILITIES	
Net pension liability	8,414,889
Accrued compensated absences, net of current portion	438,303
Total noncurrent liabilities	8,853,192
Total liabilities	12,190,294
NET POSITION	
Invested in capital assets	12,811,048
Restricted for	
Nonexpendable - endowments	3,000,000
Expendable - land grant programs	254,662
Unrestricted	(6,331,803)
Total net position	9,733,907

DEFERRED INFLOWS OF RESOURCES

DEFERRED CREDITS ON NET PENSION LIABILITY	$ 4,282,950
Total liabilities, net position and deferred inflows of resources	$ 26,207,151

American Samoa Community College
(a Component Unit of American Samoa Government)
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended September 30, 2019

OPERATING REVENUES	
Federal grant revenue	$ 4,683,764
Tuition and fees	2,949,006
Auxiliary enterprises	367,246
Other revenue	112,655
Total operating revenues	8,112,671
OPERATING EXPENSES	
Instructional	5,060,684
Administrative support	3,548,286
Agricultural research	2,752,584
Student services	1,146,503
Other	301,799
Depreciation	910,053
Total operating expenses	13,719,909
Operating loss	(5,607,238)
NONOPERATING REVENUES (EXPENSES)	
Appropriations from American Samoa Government	4,547,961
Investment income	123,472
Net nonoperating revenues	4,671,433
Decrease in net position	(935,805)
NET POSITION, beginning of year (as restated)	10,669,712
NET POSITION, end of year	$ 9,733,907

American Samoa Community College
(a Component Unit of American Samoa Government)
Statement of Cash Flows
For the Year Ended September 30, 2019

Cash flows from operating activities:	
Federal grants	$ 4,685,471
Tuition and fees	3,236,243
Sales and services of auxiliary enterprise	483,685
Other grants	48,956
Payments to employees for salary and benefits	(9,753,413)
Payments to suppliers	(3,012,319)
Net cash used in operating activities:	(4,311,377)
Cash flows from investing activities:	
Purchase of investments	(2,702,911)
Proceeds from sales of investments	2,696,194
Net cash used in investing activities:	(6,717)
Cash flows from noncapital financing activities:	
Governmental appropriations	4,547,961
Net cash provided by noncapital financing activities:	4,547,961
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(285,534)
Net cash provided by capital and related financing activities:	(285,534)
Net decrease in cash and cash equivalents	(55,667)
Cash and cash equivalents at beginning of year	1,051,527
Cash and cash equivalents at end of year	$ 995,860

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (5,607,238)
Adjustments to reconcile change in operating loss to net cash used for operating activities:	
Depreciation expenses	910,053
Decrease in tuition and fees receivable, net	(71,563)
Increase in due from other governments	(55,498)
Decrease in other receivable, net	10,735
Decrease in inventories	150,640
Increase in prepaid expenses	(161,016)
Decrease in deferred outflows	197,590
Decrease in accounts payable	(415,851)
Decrease in advances from grantors	99,210
Decrease in unearned revenue	358,800
Decrease in accrued payroll and other employee benefits	(164,917)
Increase in accrued compensated absences	28,755
Increase in deferred inflows	866,035
Decrease in net pension liability	(457,112)
Net cash used in operating activities	$ (4,311,377)

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The American Samoa Community College (the College) was created with corporate powers to develop a program of education to meet the current and future needs of American Samoa. The College is funded through territorial appropriations, tuition, federal grants, and donations. The College was formally granted semiautonomous status through a legislative act on November 12, 1992, to provide better accountability for the College's operations and administration of federal grants. The College began operating as a semiautonomous entity on December 1**,** 1995.

The College is governed by an eight-member Board of Higher Education (the Board). A majority of the Board is appointed by the Governor of American Samoa with the advice and consent of the Legislature to serve four-year terms.

The College is a discretely presented component unit of the American Samoa Government (the Government), and the results of the College's operations are included in the Government's comprehensive annual financial report. The criteria used to determine inclusion in the financial reporting entity include financial interdependency, selection of governing authority, designation of management, and accountability for fiscal matters. Based upon these criteria, there were no other agencies, boards, or entities which were required to be included in the College's reporting entity.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

As a public college, the College is considered a special-purpose government under the provisions of GASB Statement No. 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the College to be reported in a single column in each of the financial statements using the accrual basis of accounting and economic resources measurement focus.

Classification of Current and Non-Current Assets and Liabilities – The College considers assets that can reasonably be expected, as part of its normal College business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date to be current. Liabilities that reasonably can be expected, as part of normal College business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be non-current.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the College considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Investments – Investments are recorded at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized in the statement of revenues, expenses, and changes in net position.

Financial instruments are measured and reported at fair value and are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement:

> **Level 1** inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
>
> **Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> **Level 3** Unobservable inputs for the asset or liability. In these situations, the College develops inputs using the best information available in the circumstances.

All of the College's investments meet the criteria of Level 1.

Tuition and Fees Receivable – Tuition and fees receivable include receivables for the cost of tuition and student registration fees. The majority of these accounts represent amounts that will be covered by federal Pell grant awards to students. The College operates on a reimbursement basis for federal Pell grant awards, and these awards are credited to student accounts when funds are received at the end of the semester. The College maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of customer balances, the overall aging of outstanding balances, historical collection experience, and current business and economic conditions.

Grants Receivable – Grants receivable consist of federally funded amounts due from the federal government, local government, and universities in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Due from American Samoa Government – Due from American Samoa Government consists of the remaining balance of legislative annual appropriations and exchange of services contract that have not been received. There was no balance due at September 30, 2019.

Inventory – Inventory consists of books and other supplies, and is stated at the lower of cost, determined on the first-in, first-out method, or market.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Capital Assets – Capital assets are stated at cost or estimated historical cost if purchased, or if donated, at estimated fair value at date of donation. Capital assets, including infrastructure, with a value of $5,000 or more and with a useful life of one year or more are capitalized. Title to land and buildings, whether purchased, constructed, or donated, is held by the Government. Although title is not with the College for land and buildings, the College has exclusive use of these assets and is responsible for the maintenance of these assets, and thus has recorded the cost of these assets on the accompanying financial statements. Capital assets, with the exception of land and construction work in progress, are depreciated on a straight-line basis over the following useful lives:

Building and improvements	30 years
Furniture and equipment	3 to 15 years
Motor vehicles	5 years

Library books, unless considered rare collection, are capitalized and depreciated over a ten-year period. Periodicals and subscriptions are expensed as purchases. The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend its life are expensed as incurred.

Advances from Grantors – Advances from grantors represent the portion of grant revenue received in advance of expenditures being incurred and are reported as advances from grantors in the statement of net position.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period. The College's deferred outflows of resources relates to pensions resulting from differences between expected and actual experience, which will be amortized over 7.29 years, and College contributions to the pension plan subsequent to the measurement date of the actuarial valuations for the pension plans. This will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Deferred Inflows of Resources – Deferred inflows of resources represent a consumption of net position that applies to a future period. The College's deferred inflows of resources relate to pensions resulting from differences between expected and actual experience, which will be amortized over 7.29 years which will be recognized as an addition of the net pension liability in the subsequent fiscal year.

Pensions – For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the American Samoa Government Employees' Retirement Fund ("Fund") and additions to/deductions from the Fund's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue – Unearned revenue consists primarily of amounts received from grants and contract sponsors that have not yet been earned under the terms of the agreements and tuition and fees received in advance.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Compensated Absences – It is the policy of the College to permit employees to accumulate earned but unused vacation benefits, which will be paid to the employees upon separation from service. Vacation leave is fully vested when earned, but accumulated vacation leave cannot exceed 60 days at the end of any calendar year.

Sick leave is vested when earned and the accumulation is not limited. Employees separated from service are compensated for unused accrued sick leave at a rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated sick leave for additional service credits.

Classification of Revenues and Expenses – The College considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the College's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 35. These non-operating revenues include governmental appropriations from the American Samoa Government and net investment income.

Net Position – The College's net position is classified into the following net position categories:

Invested in Capital Assets: Capital assets, net of accumulated depreciation.

Restricted – Nonexpendable: Net position subject to externally imposed conditions that require the College retain them in perpetuity. Net position in this category consists of an endowment held by the College (see Note 3).

Restricted – Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the College.

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

Use of Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates, among others, include net pension liabilities, allowances for doubtful accounts, the useful lives of capital assets, the valuation of investments, and the current versus noncurrent classification of assets and liabilities.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Risk Management – The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Economic Dependency – The College is dependent on ongoing appropriations from the American Samoa Government.

Subsequent Events - Subsequent to September 30, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Given the dynamic nature of these circumstances, it is too early to determine the effect these changes will have on the College in the short term. The College will continue to monitor the situation closely, but given the uncertainty about the situation, it cannot estimate the impact to the financial statements.

Note 2 – Cash and Certificate of Deposit

The College maintains its cash and cash equivalents at financial institutions in American Samoa. At September 30, 2019, none of the College's cash balances were insured by the FDIC insured limits. Investments are insured by the Securities Investor Protection Corporation up to $500,000. At September 30, 2019, the uninsured investments balance at one such financial institution totaled approximately $2,678,000.

Note 3 – Investments

The Board is responsible for the management of the College's investments. The Board is responsible for the establishment of the investment policy and approves the appointment of investment managers. Investments authorized by the Board include equity investments, bond investments, certificates of deposit, money market funds, U.S. Government, its Agencies, or its Instrumentalities securities, and other types of investments.

Proceeds from the original land grant from the U.S. Government and related accumulated earnings are presented as restricted position in the accompanying statement of net position. The land grant endowment of $3,000,000 was provided in lieu of the donation of public land for the endowment and maintenance of the College. The College is required to invest these funds in a trust and is permitted to spend the annual earnings solely for the operation of the land grant programs of the College. The earnings are shown as restricted cash, investments and interest receivable on the statement of net position.

Note 3 – Investments (continued)

For the year ended September 30, 2019, activities of the trust consisted of the following:

Balance at September 30, 2018	$ 3,131,190
Interest Income	60,004
Realized and unrealized gain, net	79,968
Investment management fees	(16,500)
Balance at September 30, 2019	$ 3,254,662

Investments comprised the following amounts at September 30, 2019:

	Fair Value	Cost
U.S. Government agencies	$ 153,458	$ 149,822
U.S. Treasury obligations	2,303,672	2,279,762
Corporate bonds	720,571	715,481
Cash and cash equivalents	60,527	60,527
Accrued income	16,434	16,434
Totals	$ 3,254,662	$ 3,222,026

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The credit risk ratings listed below for investments in non-Us Government debt securities are issued by standards set by Standard and Poor's.

As of September 30, 2019, the College had the following credit risk related to its debt security exchange traded funds:

Credit rating	
AAA	$ 2,461,122
AA	239,230
A	413,803
BBB	63,546
Totals	$ 3,177,701

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in fair value due to future changes in interest rates. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3 – Investments (continued)

As of September 30, 2019, the College's debt security exchange traded funds had the following maturities

Investment Maturities in Years	
< 1	$ 949,646
1-5	2,209,964
6-10	18,091
Totals	$ 3,177,701

Note 4 – Capital Assets

Capital assets activity for the year ended September 30, 2019, consisted of the following:

	Balance 9/30/2018 (as restated)	Addition	Retirement	Transfers	Balance 9/30/2019
Nondepreciable capital assets					
Construction work in progress	$ 39,046	$ 98,140	$ -	$ -	$ 137,186
Land	150,000	-	-	-	150,000
Total nondepreciable capital assets	189,046	98,140	-	-	287,186
Depreciable capital assets					
Building and improvements	19,585,996	-	-	-	19,585,996
Furniture and equipment	7,045,278	37,994	-	-	7,083,272
Motor vehicles	990,874	149,400	-	-	1,140,274
Library books	456,986	-	-	-	456,986
Total depreciable capital assets	28,079,134	187,394	-	-	28,266,528
Less accumulated depreciation					
Building and improvements	(7,602,118)	(561,923)	-	-	(8,164,041)
Furniture and equipment	(6,019,046)	(282,606)	-	-	(6,301,652)
Motor vehicles	(951,303)	(49,339)	-	-	(1,000,642)
Library books	(376,765)	(16,185)	-	-	(392,950)
Total accumulated depreciation	(14,949,232)	(910,053)	-	-	(15,859,285)
Net capital assets	$13,318,948	$ (624,519)	$ -	$ -	$ 12,694,429

Note 5 – Accrued Compensated Absences

Accrued compensated absences liability activity for the year ended September 30, 2019, is summarized as follows:

	Balance 9/30/2018	Additions	Reductions	Balance 9/30/2019	Current Portion	Long-Term Portion
Accrued vested vacation	$ 535,138	$ 377,862	$ (358,686)	$ 554,314	$ 409,894	$ 144,420
Accrued vested sick leave	515,138	200,555	(190,976)	524,717	230,834	293,883
Accrued vested vacation and sick leave liability	$1,050,276	$ 578,417	$ (549,662)	$1,079,031	$ 640,728	$ 438,303

Note 6 – Retirement Plan

Plan Description – The College is a member of the American Samoa Government Employees' Retirement Fund (the Fund). The Fund is a cost-sharing multiple employer contributory defined benefit retirement fund which was established in 1971 under Section 7 of the American Samoa Annotated Code to provide retirement annuities to the employees of the Government. All full-time College employees, other than contract specialists, are covered by the Fund. The Fund issues a comprehensive annual financial report that is available to the public. The report may be obtained by writing to the Fund at the American Samoa Government Employees' Retirement Fund.

Employee membership data related to the Fund as of September 30, 2018, measurement date were as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to but not yet receiving benefits	-
Active plan members	217
Total system members	218

Benefits Provided – Normal retirement begins for members attaining the age of 65 who have completed 5 years of service or at age 55 with 30 years or more of service. Early retirement can begin at age 55 if the member has 10 years or more of service; however, the retirement benefit, payable monthly for life, equals 2% of the average annual salary multiplied by the number of years of service, up to a maximum of 30 years (from 10% to 60% based upon years of service). The average annual salary is the average of the three highest average annual salaries during the last 10 years. The minimum annual benefit is $600.

The value of the member's individual account is payable at the member's option, either as a single-life annuity or as a qualified joint and survivor annuity. A surviving spouse of an active member, who dies before retirement, but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one half of the retirement annuity that would have been paid to the deceased member. An additional death benefit of $2,500 to $10,000, based on years of service, is available to survivors of active members of the Fund.

Note 6 – Retirement Plan (continued)

Contributions – Each member of the Fund contributes 3% of earnings and earns interest at 1.5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

The employer contribution of 8% of the employees' earnings is funded by the College and is included as an expense in the statement of revenues, expenses, and changes in net position. These funds are remitted to the American Samoa Government Employees' Retirement Fund, which administers the retirement fund. Contributions made for the year ending September 30, 2019, were $463,669, which is less than the annual required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2019, the College reported a liability of $8,414,889 for its proportionate share of net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At September 30, 2018, the College's proportion was 5.9136%, which was an increase of .3415% from its proportion measured as of September 30, 2017.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, September 30, 2018, and the reporting date, September 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

Note 6 – Retirement Plan (continued)

For the year ended September 30, 2019, the College recognized pension expense of $1,044,584. At September 30, 2019, the College reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 855,317	$ 394,574
Changes in assumptions	2,754,995	3,354,918
Net difference between projected and actual investment earnings on pension plan investments	-	428,671
Change in proportion and difference between employer contributions and proportionate share of contributions	1,263,866	104,787
Contributions made subsequent to measurement date	438,071	-
Total	$ 5,312,249	$ 4,282,950

The $438,071 of deferred outflows of resources resulting in the College's contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources are recognized in pension expense as follows:

Years Ended September 30,	
2020	$ 293,957
2021	(76,082)
2022	(68,581)
2023	50,772
2024	127,265
Thereafter	263,897
	$ 591,228

Note 6 – Retirement Plan (continued)

Actuarial Assumptions – The total pension liability was determined as part of an actuarial valuation as of October 1, 2017, and rolled forward using generally accepted actuarial procedures to the measurement date as of September 30, 2018, using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost
Investment rate of return	8.0%, net of pension plan investment fees, including inflation
Salary increases	4.0%-15.0% based on attained age
Mortality	RP-2000 Combined Mortality Table set forward six years
Expected inflation rate	3%

The investment long-term expected rate of return of 8% and projected salary increases include an inflation component of 3.5%.

Mortality rates are based on the RP-2000 combined mortality table set forward six years for preretirement and set forward five years for post-retirement.

The actuarial assumptions used in the September 30, 2018, valuation were based on the results of an actuarial experience study for the five-year period ending September 30, 2014, which resulted in several changes to the assumptions as of September 30, 2019. The Fund updates their experience studies every five years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

As of September 30, 2018, the geometric mean real rates of return of benchmarks for each major investment class in the Fund's portfolio are as follows:

Investment Class	Rate of Return
Domestic equity	7.1%
Fixed income	5.1%
Real estate	5.0%
ASG bond	7.5%
Cash equivalents	1.8%
Certificate of deposit	1.8%

Note 6 – Retirement Plan (continued)

Discount Rate – As of September 30, 2018, the blended discount rate of 6.33% used to calculate the Fund's total pension liability is comprised of (a) the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments through fiscal year 2045, the period for which the Fund's fiduciary net position is projected to be sufficient to make projected benefit payments, and (b) the 20-year AA municipal bond index rate applied to benefit payments for periods beyond the period in which the Fund's fiduciary net position is not projected to be sufficient. The projection of cash flows used to determine the Fund's discount rate assumes that member and sponsor contributions will continue at current statutory levels. Additionally, cost of living adjustments will be applied to projected benefits at the rate of 0.5% annually after expected retirement dates.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Employers' net pension liability, calculated using the discount rate of 6.33%, as well as what the Employers' net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.33%) or 1% point higher (7.33%) than the current rate:

	1% Decrease 5.33%	Current Discount Rate 6.33%	1% Increase 7.33%
The College's proportionate share of the net pension liability	$ 10,522,559	$ 8,414,889	$ 6,619,062

Plan Fiduciary Net Position – The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The Fund's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued Fund financial report.

Note 7 – Related-Party Transactions

The College received $3,522,468 and $1,025,493 of general fund and tobacco tax appropriations, respectively, from the American Samoa Government for the year ended September 30, 2019.

Note 7 – Related-Party Transactions (continued)

As a component unit of the American Samoa Government, the College has related party transactions with other component units. As of and for the year ended September 30, 2019, the College had a payable to and paid related parties as follows:

Agency Name	Payments	Accounts Payable	Purpose
American Samoa Government Department of Treasury	$ 638,615	$ 66,886	Payroll and excise taxes
American Samoa Government Employees' Retirement Fund	592,456	72,245	Retirement plan payments
American Samoa Power Authority	500,251	136,255	Payments for services
American Samoa Telecommunication	235,475	178,619	Payments for services
Total	$ 1,966,797	$ 454,005	

In lieu of the on premise housing, the College pays a monthly housing allowance for off campus housing to contract specialists.

Note 8 – Commitments and Contingencies

Litigation – The College occasionally becomes involved in various lawsuits and is subject to certain contingencies in the normal course of business. Claims and lawsuits have been filed against the College. The College management intends to vigorously defend any claims which may be asserted. The outcome of these various claims and lawsuits are not presently determinable, and in the opinion of the College's management, the resolution of such matters will not have a material adverse effect on the financial condition of the College.

Construction Commitments – As of September 30, 2019, the College has $39,966 in outstanding commitments on construction contracts that are fully funded by the Department of Interior.

Note 9 – Risk Management

The College records a liability for risk financing and insurance-related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated.

The Government administers the College workers' compensation and general liability losses. The estimated losses will be paid by the Government and not by the College, and accordingly, no liability is reflected in the accompanying financial statements.

Note 10 – Prior Period Restatement

During 2019, it was discovered that the College had erroneously expensed certain amounts for the construction of a new building and related equipment that should have been capitalized in the prior year. The effect of the adjustments to correct this error increased capital assets, accumulated depreciation, and net position related to investments in capital within the Statement of Net Position as of September 30, 2018. The adjustments also increased depreciation expense and decreased instructional expense within the *Statement of Revenues, Expenses, and Changes in Net Position* for the year ended June 30, 2018. The cumulative effect on the ending fiscal year 2018 net position was to increase net investment in capital assets by $1,281,202 to a total of $13,318,948. The restated, combined total net positon as of September 30, 2018 is $10,669,712. The effects of the restatement on the 2018 financial statements are summarized below:

Effects on Statement of Net Position:

	As previously reported September 30, 2018	Effect of change	As restated September 30, 2018
Noncurrent Assets			
Capital assets, net	$ 12,037,746	$ 1,281,202	$ 13,318,948
Net Position			
Invested in capital assets	$ 12,037,746	$ 1,281,202	$ 13,318,948

Effects on Statement of Revenues, Expenses and Changes in Net Position:

	As previously reported September 30, 2018	Effect of change	As restated September 30, 2018
Operating Expenses			
Instructional	$ 6,026,737	$(1,324,372)	$ 4,702,365
Depreciation	803,649	43,170	846,819
Total operating expenses	15,469,767	1,281,202	16,750,969
Operating loss	(6,273,457)	1,281,202	(4,992,255)
Decrease in net position	$ (2,865,036)	$ 1,281,202	$ (1,583,834)

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability

Fiscal Year Ending	Proportionate Share of the Net Pension Liability as a Percentage	Proportionate Share of the Net Pension Liability as an Amount (a)	Annual Covered Payroll (b)	Proportion of the Net Pension Liability as a Percentage of Covered Payroll (a) / (b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
September 30, 2015	4.94%	$ 6,065,596	$ 4,848,513	125%	63.52%
September 30, 2016	4.76%	10,073,739	4,775,100	211%	46.75%
September 30, 2017	5.57%	8,872,001	5,541,388	160%	55.03%
September 30, 2018	5.91%	$ 8,414,889	$ 5,795,863	145%	58.72%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Covered Annual Payroll (c)	Plan Fiduciary Net Liability as a Percentage of Covered Payroll (a) / (c)
September 30, 2015	$ 555,155	$ 387,881	$ 167,274	$ 4,848,513	11.45%
September 30, 2016	594,977	382,008	212,969	4,775,100	12.46%
September 30, 2017	837,858	443,311	394,547	5,541,388	15.12%
September 30, 2018	$ 964,432	$ 463,669	$ 500,763	$ 5,795,863	16.64%

* All years prior to 2015 are not available

Supplementary Information

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs			
Cooperative Extension Service			
Smith-Lever Funding (Various Funds)	10.511		$ 1,347,844
Expanded Food and Nutrition Education Program	10.514		96,665
Subtotal			1,444,509
Payment to Agriculture Experiment Station Under			
The Hatch Act	10.203		860,627
Cooperative Forestry Assistance	10.664		50,370
Cooperative Forestry Assistance	10.664		77,383
Cooperative Forestry Assistance	10.664		80,094
Cooperative Forestry Assistance	10.664		73,075
Cooperative Forestry Assistance	10.664		27,393
Subtotal			308,315
Distance Education Grants for Institutions of			
Higher Education for Insular Areas	10.322		136,940
Resident Instruction Grant for Insular Area Activiites	10.308		200,106
Subtotal Direct Programs U.S. Department of Agriculture			2,950,497
Pass-through programs from:			
Utah State University			
Sustainable Agriculture Research & Education (SARE)	10.215	2016-38640-	25,126
University of California - Davis			
Homeland Security Agricultural	10.304		6,372
University of Hawaii			
Conservation Innovation Grants Program (NRCS-CIG)	10.912	69-3A75-17-54	1,640
Agriculture and Food Research Initiative (AFRI)	10.310	FWA 00001749	21,034
Subtotal Pass-through programs U.S. Department of Agriculture			54,172
Subtotal U.S. Department of Agriculture			**3,004,669**
U.S. Department of Health and Human Services:			
Pass-Through programs from:			
American Samoa Government - Treasury			
Developmental Disabilities Basic Support and Advocacy			
Grants	93.630	3475-G33444-	976
State University of Portland			
Trans-NIH Research Support	93.310	205CRE487 &	27,499
Children's Hospital Los Angeles			
Maternal and Child Health Federal Consolidated Programs	93.110	TGF010929-A	14,000
University of Hawaii			
Area Health Education Centers	93.107	HRD-1102524	109,377
University Centers for Excellence in Developmental	93.632	Z10139974	198,453
Subtotal Pass-through programs U.S. Department of Health & Human Services			350,305
Subtotal U.S. Department of Health and Human Services			**$ 350,305**

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Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Interior			
Direct Programs			
Economic, Social, and Political Development of the Territories	15.875		$ 276,739
Economic, Social, and Political Development of the Territories	15.875		17,981
Economic, Social, and Political Development of the Territories	15.875		1,510,000
Economic, Social, and Political Development of the Territories	15.875		12,279
Economic, Social, and Political Development of the Territories	15.875		14,947
Cooperative Research and Training Programs -			
Resources of the National Park System	15.945		4,306
Subtotal Direct programs U.S. Department of Interior			1,836,252
Subtotal U.S. Department of Interior			**1,836,252**
U.S. Small Business Administration			
Direct Programs			
Small Business Development Centers	59.037		282,306
Subtotal Direct programs U.S. Small Business Administration			282,306
Subtotal U.S. Department of Small Business Administration			**282,306**
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Program (Cluster)			
Federal Pell Grant Program	84.063		4,022,004
Federal Supplemental Education Opportunity Grant	84.007		20,900
Federal Work-Study Program	84.033		43,096
Subtotal Student Financial Assistance Program (Cluster)			4,086,000
Adult Education Basic Grant to States	84.002		162,384
Subtotal Direct Programs U.S. Department of Education			4,248,384
Pass-Through programs from:			
American Samoa Government			
Special Education Grants to States (Cluster)	84.027	C006248	527,956
Subtotal Pass-through programs U.S. Department of Education			527,956
Subtotal U.S. Department of Education			**4,776,340**
U.S. Environmental Protection Agency			
Pass-through programs from:			
Extension Foundation			
Research, Development, Monitoring, Public Education, Outreach, Training, Demostrations and Studies	66.716	SA-2017-77	4,719
Subtotal Pass-through programs Environmental Protection Agency			4,719
Subtotal U.S. Environmental Protection Agency			**$ 4,719**

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Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
National Science Foundation			
Pass-Through programs from:			
Research and Development (Cluster)			
NSF-ATE: Partnership for Advanced Marine and Environmental			
Science Training for Pacific Islanders			
Education and Human Resources	47.076	Z10149235	$ 39,555
University of Hawaii			
Education and Human Resources	47.076	HRD-1102524	13,095
Subtotal Pass-through National Science Foundation			52,650
Subtotal National Science Foundation			**52,650**
U.S. Department of Commerce			
Pass-Through programs from:			
University of Hawaii			
Office of Coastal Management	11.473	X10109729	6,588
Subtotal Pass-through U.S. Department of Commerce			6,588
Subtotal U.S. Department of Commerce			**6,588**
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			**$ 10,313,829**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of American Samoa Community College (ASCC or the College) under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ASCC, it is not intended to and does not present the financial position, changes in net position or cash flows of ASCC.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

ASCC had no subrecipients for the year ended September 30, 2019.

Single Audit Reports

MOSSADAMS

Report of Independent Auditors 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 Higher Education
American Samoa Community College

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 American Samoa Community College (the College), a component unit of the American Samoa Government, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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 the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

The College's Responses to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, 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.

Moss Adams LLP

Spokane, Washington
April 17, 2020

MOSSADAMS

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Higher Education
American Samoa Community College

Report on Compliance for Each Major Federal Program

We have audited American Samoa Community College's (the College) 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 College's major federal programs for the year ended September 30, 2019. The College's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College'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 College'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 College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College 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, 2019.

Report on Internal Control Over Compliance

Management of the College 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 College'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 College'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 a combination of deficiencies, in internal control over compliance such that there is a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, and 2019-008, that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Moss Adams LLP

Spokane, Washington
April 17, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ Yes ☐ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
Various	Student Financial Assistance Cluster	*Unmodified*
10.511	Smith-Lever Funding (Various Programs)	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

FINDING 2019-001 – Material Weakness, Lack of adequate controls surrounding the capitalization of capital asset expenditures

Criteria*:* Generally accepted accounting principles require significant capital asset expenditures to be capitalized if they have a life beyond one year.

Condition/Context*:* The College expensed certain capital asset expenditures during 2018 that should have been capitalized. The cumulative effect to the financial statements was material, creating a prior period restatement. Approximately $1.3 million was moved from expense to capital asset accounts, and an additional $43 thousand was recorded in depreciation expense related to these assets.

Cause*:* During 2018, construction-in-progress accounts maintained as expenses were not sufficiently reviewed to identify a material amount of capital asset expenditures that should have been capitalized at the time the asset was placed into service.

Effect*:* A prior period adjustment was posted and the fiscal year 2018 financial statements were restated.

Repeat Finding*:* No

Recommendation*:* We recommend the College implement controls to ensure expense accounts are reviewed for possible capital purchases and reclassified to capital assets when appropriate under the College's policy. We further recommend that the College consider providing additional training to those individuals responsible for the financial close and reporting process.

Views of Responsible Officials and Planned Corrective Actions: Controls are in place for Procurement Division to submit an accurate Fixed Asset Inventory Report to Finance Division for capitalization and depreciation report in accordance with ASCC Governance Manual 7000.6 - *Inventories of Materials and Equipment* & 7000.6A - *ASCC Assets Defined.*

Trainings will be provided for the Finance Officer and Procurement Officer and necessary staff to ensure that rules and regulations required by the Generally Accepted Accounting Principles are implemented in capitalizing expenditures with life beyond one year. This will be completed by September 2020.

FINDING 2019-002 – Significant Deficiency, Lack of adequate controls surrounding the preparation of the Schedule of Expenditures of Federal Awards.

Criteria*:* Uniform Guidance requires the College to have adequate controls in place over their financial close and reporting process related to the Schedule of Expenditures of Federal Awards (SEFA).

Condition/Context: The College lacked controls surrounding the preparation of the SEFA. Several errors in the SEFA were noted: The SEFA was prepared with incorrect CFDA numbers, incomplete descriptions, incomplete program names, and inaccurate expenditures. Pass through grant identifying numbers were also missing from the SEFA.

Cause*:* The College did not have adequate controls in place in order to prepare an accurate SEFA.

Effect*:* Several adjustments and modifications were made by the auditor in order to present the SEFA in accordance with Uniform Guidance.

Repeat Finding*:* No

Recommendation*:* We recommend the College implement controls to ensure that a complete and accurate SEFA is prepared on a timely basis.

Views of Responsible Officials and Planned Corrective Actions: Controls will be implemented within the Finance Division to ensure that all required information for grant award programs are updated and consistently implemented to prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) Report in accordance with the Uniform Guidance. This will be completed by September 2020.

The Finance Division will make sure that controls are in place for the Grant accountants to have the appropriate grant awards in file and that expenditures are reconciled for the Accounts Manager's review and posting. The SEFA Report will be prepared by the Accounts Manager and reviewed and approved by Financial Officer. This will be completed by September 2020.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-003 Special Tests and Provisions – Return of Title IV Funds
Significant Deficiency in Internal Control over Compliance

Student Financial Assistance Cluster
U.S. Department of Education

CFDA Number: 84.063, 84.007, 84.033

Federal Program Name: Student Financial Assistance Cluster

Award Year: 2018-19

Criteria: Per 34 CFR Section 668.22, when a student withdraws from an institution before completion of their current academic period and is determined as having not earned 100 percent of their received Title IV assistance, an institution must return the total amount of unearned Title IV assistance received from withdrawn students.

Return of Title IV funds (R2T4) are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the U.S. Department of Education (ED) as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR 668.173(b)).

Condition and Context: A sample of 10 students who were recipients of Title IV funding and had withdrawn during the year was selected from a population of 25. Student records were compared to the calculation of the return of Title IV funds. We noted there were inconsistencies within the calculations, creating variances between what was returned and what should have been returned. Additionally, the Title IV funds were not returned within the 45-day period as required.

The Financial Aid office recalculated each of the R2T4 calculations for the entire population of both unofficial and official withdrawals during the award period 2018-2019 that were under the 60% attendance requirement. This resulted in 24 recalculations and a total net adjustment in the amount of $7,371, which was returned to the ED subsequent to year end.

Questioned costs: $7,371

Effect: The College had not returned all Title IV funds related to their R2T4 calculations in the time required by ED. Of the total 24 incorrect calculations, the calculations were subsequently corrected and returned to ED.

Cause: This occurred because the process in place was not designed effectively to calculate the return of Title IV funds and to remit amounts on a timely basis.

Repeat finding: No

Recommendation: We recommend the College implement a process in which an individual in the student financial aid department review each return of Title IV funds calculation prior to executing the return. The review should be documented to ensure completion. Additional controls should be implemented to ensure that both unofficial and official withdrawals are calculated and returned on a timely basis.

Views of responsible officials and planned corrective actions: The Financial Aid Officer will designate a Counselor to review and execute the return of Title IV funds. This will be completed by May 2020.

An alternate Counselor will be assigned to perform R2T4 duties and responsibilities in the event the primary Counselor is not available. This will eliminate interruptions in completing R2T4 requirements (34 CFR 668.173(b)). This will be completed by May 2020.

Official Withdrawals
Each Financial Aid Counselor will complete the R2T4 calculation for their assigned students. R2T4 calculations are then forwarded to the designated Counselor identified to review prior to executing the return. The designated Counselor is responsible with manually inputting calculations into Datatel and ensuring adjustments are included on the next Batch to be returned. These actions should be completed no later than 45 days from when the student withdrew.

Unofficial Withdrawals
At the end of each session and semester, the designated Counselor will request from the Registrar's Office the last date of attendance for the unofficial withdrawal students. The designated Counselor is responsible with performing R2T4 calculations, manually inputting calculations into Datatel, and ensuring adjustments are included on the next Batch to be returned. These actions should be completed no later than 45 days from when the student withdrew.

FINDING 2019-004 Enrollment Reporting
Significant Deficiency in Internal Control over Compliance

Student Financial Assistance Cluster
U.S. Department of Education

CFDA Number: 84.063

Federal Program Name: Federal Pell Grant Program

Award Year: 2018-19

Criteria: The National Student Loan Data System ("NSLDS") is the U.S. Department of Education's (ED) centralized database for students' enrollment information. It is the College's responsibility to update this information timely and accurately.

The College determines how often it receives the Enrollment Reporting roster file with the default set at every 60 days.

The College has engaged the National Student Clearinghouse's (NSC) services to assist with the reporting of student's status changes and degrees to the NSLDS.

Condition and context: In our audit sample of 10 withdrawals and 10 graduated students, none had been reported timely. Subsequently, the withdrawn student status had been corrected for the sampled students, but not within the required timeframe. Our sample was selected using a random methodology, rather than a statistical sampling methodology.

Questioned costs: None noted

Effect: This information is utilized by ED, the Federal Direct Loan program, lenders, and other institutions to determine in-school status. The College doesn't participate in loan programs, which limits the effect of non-compliance.

Cause: This occurred because of a lack of control in place to monitor for compliance.

Repeat finding: No

Recommendation: We recommend the College follow and enhance existing policies to ensure all student changes in status are identified timely and submitted accurately within the required time frame. Furthermore, we recommend the College educate staff involved in the process regarding the Enrollment Reporting compliance responsibilities and the consequences of inaccurate reporting to the NSLDS via the NSC. This policy should specifically address the personnel assigned to various tasks (data entry and review). Opportunities for additional NSC training in this area and others are available through the NSC's Clearinghouse Academy page. Lastly, we recommend the College establish an internal monitoring control whereby a designated individual with NSLDS access, on a sample basis, spot-checks the status updates on NSLDS so as to internally audit the submissions

Views of responsible officials and planned corrective actions: The Financial Aid Coordinator will be the assigned individual responsible with updating the Enrollment Reporting roster file. An alternate Counselor will also be assigned in the event the Financial Aid Coordinator is not available. This will eliminate interruptions in completing this reporting requirement. The Financial Aid Officer will conduct the final review and submit the report. This will be completed by June 2020.

The College is required to submit the report on the 15th of every other month. On the 1st day of the month the report is due, the Financial Aid Officer will pull the report from EdConnect and forward to the Financial Aid Coordinator for enrollment status updates. These updates should be completed no later than the 12th day of the month to provide ample time for submission on the NSLDS website.

FINDING 2019-005 Special Tests and Provisions – Gramm-Leach-Bliley Act – Student Information Security
Significant Deficiency in Internal Control over Compliance

Student Financial Assistance Cluster
U.S. Department of Education

CFDA Number: 84.063, 84.007, 84.033

Federal Program Name: Student Financial Assistance Cluster

Award Year: 2018-19

Criteria: The Gramm-Leach-Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data (16 CFR 314). The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as "financial institutions" and subject to the Gramm-Leach-Bliley Act (16 CFR 313.3(k)(2)(vi). Under an institution's Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act, schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs. (16 CFR 314.3; HEA 483(a)(3)(E) and HEA 485B(d)(2))

Condition and context: A written risk assessment wasn't performed that addressed the three required areas noted in 6 CFR 314.4 (b), which are (1) Employee training and management; (2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) Detecting, preventing and responding to attacks, intrusions, or other systems failures.

Questioned costs: None noted

Effect: The College does have limited controls in place surrounding student information security, which limits the effect of non-compliance.

Cause: The finding and significant deficiency is due to the lack of understanding over the compliance requirement.

Repeat finding: No

Recommendation: We recommend the College designate an individual to coordinate the information security program. This individual should perform and document a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b), which are (1) Employee training and management; (2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) Detecting, preventing and responding to attacks, intrusions, or other systems failures.

Views of responsible officials and planned corrective actions: The College will designate the Information Officer to coordinate and propose a data/information security program to be adopted by the College. This will be completed by August 2020.

The Executive Leadership will review all standard operating procedures/rules and regulations, and policies that pertain to data/information systems, accessibility, security, data transmission and disposal, and annual training, and will propose the necessary clarifications in rules and regulations for the review of the College President.

The Information Officer will implement and document a risk assessment to address the three required areas as referenced in 16 CFR 314.4 (b) that include employee training and management; information systems, including network and software design, as well as information processing, storage, transmission and disposal; and detecting, preventing and responding to attacks, intrusions, or other systems failure. This will be completed by October 2020.

FINDING 2019-006 – Equipment and Real Property Management, Significant Deficiency in Internal Control Over Compliance

U.S. Department of Agriculture

CFDA Number: 10.511

Federal Program Name: Smith-Lever Funding (Various Programs)

Award Year: 2018-19

Criteria: Per 2 CFR 215.34(3) - A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years.

Condition: The College did not inventory all equipment purchased with federal funds within the last two years.

Context: During our testing of equipment and real property management, we noted that for all four items in our sample, an inventory of these items had not been performed in the prior two years. Our sample was selected using a random methodology, rather than a statistical sampling methodology.

Cause: It appears the controls in place were not designed properly to ensure an inventory was being performed every two years.

Repeat finding: No

Effect: The lack of policies in place create non-compliance to the requirement that equipment purchased with federal funds be inventoried at least once every two years.

Questioned costs: None noted.

Recommendation: We recommend the College ensure that all equipment purchased with federal funds is tagged and inventoried every two years. In addition, the College should maintain documentation of when the inventory takes place and have procedures in place to track any new additions or disposals.

Views of responsible officials: Controls are in place to ensure that grant purchases are allowable and align with grant programs narratives and guidelines. The Finance Division will make sure that grant program requests are allowable to the grant and that prior approval is provided for requests that are not within the grant narrative or in accordance with the Uniform Guidance. In addition, grant program coordinators will be advised to follow the grant narrative and guidelines and request to grantor for approval on any changes or revisions on the award. This will be completed by June 2020.

FINDING 2019-007 – Allowable Costs/Cost Principles, Significant Deficiency in Internal Control Over Compliance

U.S. Department of Agriculture

CFDA Number: 10.511

Federal Program Name: Smith-Lever Funding (Various Programs)

Award Year: 2018-19

Criteria: Per 2 CFR § 200.445 - Goods or services for personal use - Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable, direct costs must be approved in advance by a Federal awarding agency.

Condition: The College applied housing allowance expenditures to the grant, based on the faculty time allocated to the grant. The College used the housing allowance to recruit faculty members from off island to work on the grant.

Context: During our testing of Allowable Costs/Cost Principles, we selected a sample of 25 items from a population of 361. Two of the 25 selections were for housing allowances, which is a part of faculty contracts in these cases. These costs are unallowable per Uniform Guidance without prior approval from the awarding agency, which was not obtained in advance.

Cause: The College lacked an understanding of what is allowable to be charged to the grant.

Repeat finding: No.

Effect: Unallowable costs were allocated to the grant without prior approval. Based upon additional review of the costs to the grant during the current fiscal year, we noted four faculty members for which a housing allowance was paid as part of their contracts. The housing allowance expenditures totaled $20,550 during the current fiscal year.

Questioned costs: $20,550

Recommendation: We recommend the College implement controls to ensure that all costs are allowable to the grant prior to reimbursement. In addition, we recommend the College contact the federal agency for approval of these expenditures or return the expenditures to the awarding agency.

Views of responsible officials: Controls are in place within the Finance Division to ensure that payroll costs are charged correctly and accurately to grants. Grant accountants will make sure that the reconciliation of grant expenditures and payroll allocations are consistent and accurate and reviewed by Accounts Manager before posting. This will be completed by April 2020.

FINDING 2019-008 – Allowable Costs/Cost Principles, Significant Deficiency in Internal Control Over Compliance

U.S. Department of Agriculture

CFDA Number: 10.511

Federal Program Name: Smith-Lever Funding (Various Programs)

Award Year: 2018-19

Criteria: Per 2 CFR § 200.430 – Compensation – personal services, (i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

Condition: The College completes time and effort reports for faculty and staff members who apply time to grants. The payroll expenditures allocated to the grant did not represent the proportionate share of time as reported.

Context: During our testing of Allowable Costs/Cost Principles, we selected a sample of 26 items from a population of 13,564. Two of the 26 selections' time and effort report did not represent the amount of expenditure allocated to the grant. These costs are unallowable based upon the Uniform Guidance, as the proportionate share of payroll costs should have been allocated based on the time and effort reports.

Cause: It appears the controls in place were designed effectively but were not implemented correctly to ensure that payroll costs would be allocated based on the time and effort reports for the period.

Repeat finding: No.

Effect: Unallowable costs were charged to the grant.

Questioned costs: $605

Recommendation: We recommend the College implement controls to ensure that all costs are allowable to the grant prior to reimbursement. Additional controls should be in place to review the allocated payroll, to the time and effort reports every payroll cycle to ensure accuracy of the allocation.

Views of responsible officials: Controls are in place within the Finance Division to ensure that payroll costs are charged correctly and accurately to grants. Grant accountants will make sure that the reconciliation of grant expenditures and payroll allocations are consistent and accurate and reviewed by Accounts Manager before posting. This will be completed by April 2020.

Finding 2015-001, 2016-001, 2017-001 and 2018-001 Special Test and Provision

Condition: The Financial Aid Department had numerous issues related to the verification process that was conducted incompletely. With the College not completing the verification process accurately, students could be over- or under-awarded.

Recommendation: We recommend that the College implement controls that will ensure that all verification documentation is received, reviewed properly for completeness and against the ISIR, and that all discrepancy noted against the ISIR is corrected by student or Financial Aid office before awarding aid.

Current Year Status: In October 2018, a Financial Aid Office (FAO) Internal Review Committee was established. The committee consisted of 3–4 staff from the Department of Student Services (DOSS), excluding the Financial Aid Office. The purpose of the committee was to conduct a preliminary review of all verification worksheets and documentations.

Before the first preliminary review was executed, the committee was a given a training on the verification process, correctly completed forms, and required supporting documentations. Counselors then provided the committee with their students' files for review. The committee was able to meet several times throughout the year and provide feedback to the Counselors. Counselors were retrained to not accept any incomplete verification forms, especially before awarding aid.

Finding 2018-002 Activities Allowed – Federal Work Study

Condition: Per The Federal Student Aid Handbook, which states that the students' work schedules must not conflict with their class schedules. During the testing of the federal work study program, two students were found to be working during their scheduled class time.

Recommendation: We recommend that the College implement controls that will ensure students do not work during class, provide training to supervisors of work study students, and get documentation for exception.

Current Year Status: Students on the Federal Work Study Program are not permitted to working during a scheduled class. There are no exceptions. This policy has been included in the FWS orientations and application interviews. Before the timesheets are signed by the Financial Aid Officer, two other Counselors will review the timesheets to ensure this finding is not repeated.

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