

*The Auditor's Communication With Those Charged
With Governance*

Department of Chamorro Affairs
Non-Appropriated Funds
(A Component Unit of the Government of Guam)

Year ended September 30, 2021





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March 8, 2022

The Board of Trustees
Department of Chamorro Affairs – Non-Appropriated Funds

We have performed an audit of the financial statements of the Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam, as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March 8, 2022.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the DCANAF is responsible. We summarize these required communications as follows:

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements are the responsibility of the DCANAF's management. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the DCANAF's internal control over financial reporting.

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCANAF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Auditors' Responsibilities under US GAAS and GAGAS, continued

As part of our audit, we considered the DCANAF's internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances.

As described in our engagement letter dated April 26, 2021, the objective of a financial statement audit performed in accordance with US GAAS and GAGAS is as follows:

1. To express an opinion on whether the basic financial statements of the DCANAF are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. To conduct an audit (when applicable) in accordance with the Single Audit Act Amendments of 1996 and the provisions 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) and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion on compliance for each major program and to render the required reports.
2. To provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. We did not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with provisions of laws, regulations, contracts or grant agreements and other matters, and therefore, we did not express such an opinion.
3. To report (when applicable) on the fairness of the schedule of expenditures of federal awards when considered in relation to the financial statements as a whole. We also will report on internal control related to major programs and provide an opinion on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

Auditor's Judgments about the Quality of the DCANAF's Accounting Principles

We discussed our judgments about the quality, not just the acceptability, of the DCANAF's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

Sensitive Accounting Estimates

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the DCANAF's operations. These budgets include determining how existing financial resources will be used in the DCANAF's operations.
- Determining the adequacy of the recorded valuation of receivables and inventory, including the need for any reserve.

Material Corrected Misstatements

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix A – *Summary of Corrected Misstatements*). During our audit, several post-closing journal entries were recorded while we were conducting our fieldwork.

Uncorrected Misstatements Considered by Management to be Immaterial

Certain uncorrected misstatements accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the DCANAF's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – *Summary of Uncorrected Misstatements*).

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2021.

Engagement team's involvement with preparation of the financial statements

Under GAS 2011 Revisions, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed.

Engagement team’s involvement with preparation of the financial statements, continued

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of DCANAF.
- The preparation of the financial statements is based on the DCANAF trial balance with the understanding that underlying books and records are maintained by DCANAF’s accounting department and that the final trial balance prepared by DCANAF is complete.

Disagreements with Management on Financial Accounting and Reporting Matters

There were no material disagreements with the DCANAF’s management on financial accounting and reporting matters during the audit.

Major Issues Discussed with Management Prior to Retention

There were no major accounting issues discussed with the DCANAF’s management prior to our retention.

Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues

We are not aware of any significant unusual transactions recorded by the DCANAF, or of any significant accounting policies used by the DCANAF related to controversial or emerging areas for which there is lack of authoritative guidance.

Serious Difficulties Encountered in Dealing with Management in Performing the Audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Fraud and Illegal Acts

We are not aware of any matters that require communication. Furthermore, the DCANAF’s management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2020 to March 8, 2022 (see Appendix C – *Management’s Representation Letter*).

Control Related Matters

We have identified material weaknesses in our separately issued 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* dated March 8, 2022

Management's written responses to our comments have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

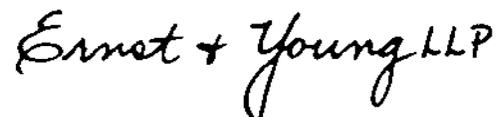
Independence

We are not aware of any relationships between Ernst & Young and our related entities, and the DCANAF, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that we are independent with respect to the DCANAF within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

This report is intended solely for the use of the DCANAF's board of directors and management, the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

A handwritten signature in black ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style.

Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management’s Representation Letter

A – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds

Period ended: 30-Sep-2021

Currency: USD

Corrected misstatements No. WIP ref.	Account	Assets		Liabilities		Equity		Effect on the current period OCI	Income statement effect of the current period	Non taxable
		Current	Non-current	Current	Non-current	Debit/(Credit)	Debit/(Credit)			
BEG T0100 To adjust the beginning balance of net position for the President's Office to match that of the ending balance per the audited financial statements.										
AJEO DCA1	Accounts receivable: Other receivables	203,853								
1	Other income								(2,314)	X
	Accounts payable			(842)						
	Net position at beginning of year					(200,697)				
BEG T0100 To adjust the beginning balance of net position for the Chamorro Village to match that of the ending balance per the audited financial statements										
AJEO DCA2	Net position at beginning of year					133,373				
2	Accounts Payable				12,544					
	Other income								(2,352)	X
	Cash	(4,790)								
	Accounts receivable	(30,832)								
	Other assets	(45,000)								
	Operating Expense								(7,475)	X
	Trade receivables: Allowance for doubtful accounts	(49,496)								
	Inventory	(5,972)								
BEG T0100 To adjust the beginning balance of net position for RPT to match that of the ending balance per the audited financial statements										
AJEO DCA3	Inventory	78,594								
3	Allowance for inventory obsolescence	(78,233)							(361)	
	Net position at beginning of year									
BEG T0100 To adjust the beginning balance of net position for Guam Museum to match that per the audited financial statements										
AJEO DCA4	Accounts receivables	90,501								
4	Cash	734								
	Other expense								10	X
	Net position at beginning of year									
	Accounts receivables: Allowance for doubtful accou	(60,220)							(31,025)	
AJE E0100 To gross-up allowance for doubtful accounts for balances >90 days.										
AJEO DCA2	Lease Revenue								25,701	X
	Trade receivables - allowance for doubtful accounts	(25,701)								
AJE VD0100 To correct accounts payable balance.										
AJEO DCA2	Accounts Payable				6,244					
	Cash Over & Short								(6,244)	X
AJE N0100 To reclassify accounts payable with debit balances to accounts receivables.										
AJEO DCA2	Accounts receivable	3,553								
	Accounts payable								(3,553)	
AJE F0100 To record expense for painting of Guam Museum walls.										
AJEO DCA4	Supplies Expense									1,451
	Inventory	(1,451)								

A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Department of Chamorro Affairs – Non-Appropriated Funds

Period ended: 30-Sep-2021

Currency: USD

Corrected misstatements No. WIP ref.	Account (misstatements are recorded as Journal entries with a description)	Analysis of misstatements				Income statement effect of the current period	Non taxable				
		Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current			Effect on the current period OCI	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
RJE E0100	To reclassify accounts receivable credit balances to accounts payable.										
01	DCA2 Accounts receivable	3,526									
	Accounts payable				(3,526)						
RJE VD0100	To reclassify water usage charged to Chamorro Village Food tenants as CV does not have an principal/agent relationship with GWA.										
02	DCA2 Utilities									18,288	X
	Lease									(18,288)	X
RJE N0100	To correct entries made to record reimbursement for security deposit.										
03	DCA2 Accounts receivable	1,444									
	Other assets	(1,444)									
RJE VD0100	To reverse prior year reclassification entry that was recorded in the current year.										
04	DCA2 6077 Contractual Maintenance									12,540	X
	7050 Utilities									(12,540)	
Total of corrected misstatements before income tax		79,066	0	14,393	(3,526)	(68,710)	0			8,777	
Financial statement amounts		590,471	0	(65,183)	0	(625,288)				(174,479)	
Effect of corrected misstatements on F/S amounts		13.4%	0.0%	-22.1%	0.0%	18.8%				-5.0%	

03/08/2022 Date
 Melvin Won Pat Borja, President
 03/08/2022 Date
 Marilyn Reyes, Program Coordinator III

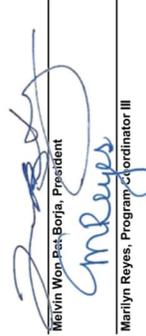
B – Summary of Uncorrected Misstatements

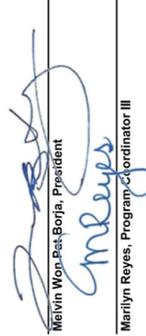
Entity: Department of Chamorro Affairs - Non-Appropriated Funds Period Ended: 30-Sep-2021 Currency: USD

Communication schedule for uncorrected misstatements

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements				Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Equity components Non-current Debit/(Credit) (Note 2)	Effect on the current period OCI Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:										
SAD 01		To record actual utilities expense for Chamorro Village for the month of September 30, 2020 that was recorded in FY2021								
		Operating Expenses: Utilities								
		Accounts Payable								
Total of uncorrected misstatements before income tax			0	0	0	0	0	0	0	2,554
Total of uncorrected misstatements			0	0	0	0	0	0	0	2,554
Financial statement amounts			580,471	0	0	0	0	0	0	0
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Memo: Total of non-taxable items (marked 'X' above)										2,554
Uncorrected misstatements before income tax										2,554
Less: Tax effect of misstatements at current year marginal rate										0
Uncorrected misstatements in income tax										0
Cumulative effect of uncorrected misstatements after tax but before turnaround										0
Turnaround effect of prior period uncorrected misstatements										0
All factual and projected misstatements: Judgmental misstatements (Note 3):										0
Cumulative effect of uncorrected misstatements, after turnaround effect										1.5%
Current year income before tax										0
Current year income after tax										0

Date: <u>03/08/2022</u> Date: <u>03/08/2022</u>	Memo: Before tax (2,554) (2,554) 0 (2,554)
Date: <u>03/08/2022</u>	Memo: After tax (2,554) (174,479)


 Melvin Won-Pae Borja, President


 Marilyn Reyes, Program Coordinator III

C – Management’s Representation Letter

DIPĀTTAMENTON I KAŌHAO GUINAHAN CHAMORU



Lourdes A. Leon Guerrero
Maga'hága

Joshua F. Tenorio
Sigundo Maga'láhi

Department of CHamoru Affairs



Melvin Won Pat-Borja
Más Ge'helo

March 8, 2022

Ernst & Young LLP
231 Ypao Road
Suite 201, Ernst & Young Building
Tamuning, Guam

In connection with your audits of the financial statements of Department of Chamorro Affairs – Non-Appropriated Funds (DCANAF), a component unit of the Government of Guam as of September 30, 2021 and 2020 and for years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, change in financial position and cash flows of DCANAF in conformity with US generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management’s responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 26, 2021, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for 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. We have provided you with:



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C – Management’s Representation Letter, continued

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within DCANAF from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From October 15, 2021 through the date of this letter, we have disclosed to you to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior year financial statements, we have evaluated the effect of correcting prior year financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior year financial statements as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2021.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees are as follows:

- December 9, 2020
- January 7, 2021
- February 4, 2021

C – Management’s Representation Letter, continued

- March 11, 2021
- April 8, 2021
- June 10, 2021
- July 1, 2021
- August 5, 2021

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for assets capitalized under capital leases, DCANAF has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which DCANAF has satisfactory title appear in the statements of net position (except assets leased to others under sales-type, direct financing or leveraged leases).

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position dates, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

C – Management’s Representation Letter, continued

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Inventories

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated net realizable values.

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

For fiscal year-ended September 30, 2021, management has agreed that majority of utility expense incurred by the Chamorro Village will be paid by the Department of Chamorro Affairs – Appropriated Fund. This was an oral agreement made by DCA management.

There have been no additional side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Appropriation for Guam Museum

P.L. 33-66 established the Guam Museum Fund and states that it shall maintain separate and apart from other funds, the records of which shall be kept and maintained by the Trustees. Twenty-five percent (25%) of all building permit fees collected by the Department of Administration pursuant to § 66408 of Article 4, Chapter 66 of Division 2, Title 21 GCA is currently being subject to appropriations.

C – Management’s Representation Letter, continued

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB *Statement No. 62*—as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB *Statement No. 62*—as amended, *Contingencies*, nor are there any accruals for loss contingencies included in the balance sheets or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB *Statement No. 62*—as amended.

We have not consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Utilities expenditures

From October 1, 2020 to August 31, 2021, the management team for the Department of Chamorro Affairs agreed that utility expenditures for Chamorro Village will be paid by the DCA Appropriated Fund.

Purchase commitments

At September 30, 2021 and 2020, DCANAF had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2021 and 2020 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Conflicts of interest

For fiscal year September 30, 2020 we had informed you of a situation wherein an executive of DCA approved transactions affecting an organization that the executive had a financial interest.

We acknowledge that this matter had been reported by you as a finding in our 2020 Schedule of Findings and Responses. For fiscal year September 30, 2021 we inform you that there are no other

C – Management’s Representation Letter, continued

instances where any officer or employee of DCANAF has an interest in a company with which DCANAF does business that would be considered a “conflict of interest.” Such an interest would be contrary to DCANAF’s policy.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management’s discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”).

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses and Changes in Net Position

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 91
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

DCANAF is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

C – Management’s Representation Letter, continued

Other

We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

Provisions for uncollectible receivables have been properly identified and recorded. We believe that the amount recorded as receivable related to the operations of Guam Museum is supported by the facts outlined in written agreements with the Operator of the Guam Museum. We believe that the allowance provided to the difference between the recorded receivable and the amount received from the Operator is reasonable based on the current uncertainty of collection and ongoing dispute with the Operator.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in DCANAF’s internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of DCANAF.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between DCANAF and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of DCANAF’s audits.

Independence

We have communicated to you the names of all of DCANAF’s affiliates, officers and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between DCANAF and Ernst & Young LLP or any other member firm of the global Ernst & Young organization

C – Management’s Representation Letter, continued

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of DCANAF’s audit.

Subsequent events

Subsequent to September 30, 2021, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the DCANAF’s affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position or cash flows of the DCANAF.

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of DCANAF as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Mr. Melvin Won Pat Borja, President



Ms. Marilyn Reyes, Program Coordinator III