



**Uniform Guidance Highlights  
Guam Economic Development Authority  
Fiscal Year 2022**

**April 24, 2024**

The Office of Public Accountability (OPA) released the Guam Economic Development Authority's (GEDA) Report on Compliance for fiscal year (FY) 2022. The Report on Compliance comprises of the Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; Report on Schedule of Expenditures of Federal Awards (SEFA) required by the Uniform Guidance; and a reiteration of the Report on Internal Control Over Financial Reporting and Compliance issued in August 2023.

**Independent Auditors' Report and Opinion**

Independent auditors, Ernst and Young LLP (EY), have expressed an unmodified (clean) opinion on Compliance for Each Major Federal Program, that GEDA complied, in all material respects, with the compliance requirements of the U.S. Office of Management and Budget *Compliance Supplement* for the year ended September 30, 2022. In its Report on Internal Control over Compliance for federal awards, EY did not identify material weaknesses nor significant deficiencies. In the Report on SEFA Required by the Uniform Guidance, EY expressed an opinion that the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

**GEDA as Grantee**

GEDA was created by Public Law 8-80 on August 21, 1965, to assist in the implementation of an integrated program for the economic development of Guam. Enabling legislation set forth several specific purposes for the establishment of GEDA to include (a) aiding private enterprise without competing with it, (b) expanding the money supply to finance housing facilities, and (c) providing the means necessary for acquisition of hospital facilities.

GEDA had expended a total of \$2.4 million (M) in federal awards in FY 2022. These included \$2.15M in Community Economic Adjustment Assistance for Establishment or Expansion of a Military Installation, and \$276 thousand (K) in Economic Adjustment Assistance.

**Report on Internal Control Over Financial Reporting and Compliance**

On August 31, 2023, the independent auditors issued GEDA's FY 2022 audited financial statements inclusive of the Report on Internal Control over Financial Reporting. These financial statement findings in the previously issued report were reiterated under GEDA's Uniform Guidance audit for FY 2022. GEDA Management likewise reiterated their responses. Within this report, EY identified two significant deficiencies related to the implementation of Governmental Accounting Standards Board (GASB) Codification L20, Leases, and the recognition of Grant Revenues.

*Finding 2022-01 – Implementation of GASB L20, Leases*

EY found that the calculation of lease receivables and deferred inflow of resources did not consider the impact of (1) rate escalation and (2) the appropriate discount rates for the remaining lease term. This issue was attributed to management's inadequate training on GASB L20 provisions. The potential effect of this deficiency is misstatements in the financial statements.

GEDA stated that in order to help them determine the validity of the finding they will look into a third party who specializes in GASB standards to provide an expert review of calculations and procedures related to lease receivables and deferred inflows of resources. GEDA will continue to review their internal controls and procedures to ensure they are in alignment with the industry standards.

*Finding 2022-02 – Recognition of Grant Revenues*

Grant revenues of approximately \$60K were included in FY 2022, related to expenditures incurred in FY 2021 for the Guam Small Business Pandemic Assistance Grant Program. This was due to GEDA not obtaining sufficient clarification on its arrangement to administer the program to ensure timely recognition of grant revenues. The potential effect of this deficiency is recording revenues in the incorrect period.

GEDA will work closely with its granting agency and will have a Memorandum of Understanding in place to document all terms of the grant requirements and GEDA's role in accurately recording grant transactions.

For a more detailed discussion on GEDA's operations, please refer to the Management's Discussion and Analysis in the audit report released on September 6, 2023, at [www.opaguam.org](http://www.opaguam.org) or [www.investguam.com](http://www.investguam.com).