

*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, 2019*





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January 21, 2021

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, 2019, 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 January 21, 2021.

## **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.

### **Auditors' Responsibilities under US GAAS and GAGAS, continued**

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.

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 August 7, 2020, 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.

Effective October 1, 2018, the DCANAF implemented the following:

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should be recognized a liability bases on the guidance of this statement.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

### **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, 2019.

### **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, 2018 to January 21, 2021 (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 January 21, 2021.

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,

Handwritten signature of Ernst & Young LLP in black ink.

## 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-2019 Currency: USD

No.	W/P ref.	Account	Assets		Liabilities		Equity		Effect on the		Income statement effect	
			Current	Non-current	Current	Non-current	components	OCI	Debit/(Credit)	Debit/(Credit)	of the current period	Non taxable
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
AJE 16	DT0100	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										
	DCA1	Accounts receivable: Other receivables	147,709									2,804
		Expenses										
		Net position at beginning of year						(150,513)				
AJE 17	DT0100	To adjust the beginning balance of net position for the Chamorro Village to match that of the ending balance per the audited financial statements										
	DCA2	Net position at beginning of year						133,412				656
		Other expense										
		Cash	(12,474)									
		Other assets	(45,000)									
		Trade receivables: Allowance for doubtful accounts	(59,770)									
		Various expenses										(16,624)
AJE 18	DT0100	To adjust the beginning balance of net position for RPT to match that of the ending balance per the audited financial statements										
	DCA3	Inventory	78,594									(69,925)
		Inventory: allowance for inventory obsolescence										(732)
		Other income										
		Net position at beginning of year						(7,937)				
AJE 19	DT0100	To adjust the beginning balance of net position for CAHA to match that of the ending balance per the audited financial statements										
	DCA4	Inventory	6,341									3,310
		Other expenses										
		Net position at beginning of year						(9,651)				
AJE 20	DT0100	To adjust the beginning balance of net position for FestPac to match that of the ending balance per the audited financial statements										
	DCA5	Net position at beginning of year						1,802				
		Accounts payable						(1,802)				



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19 October 2016



A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements Debit/(Credit)							Income statement effect of the current period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
AJE 21	T0100 DCA 7	To adjust the beginning balance of net position for Guam Museum to match that per the audited financial statements								
		Accounts receivable	60,667							
		Other expense								789
		Accounts receivables: Allowance for doubtful accou	(46,690)							
		Net position at beginning of year					(14,756)			
AJE 01	C0100 DCA 2	To revert to cash account the checks outstanding for more than six months.								
		Cash	1,157							(1,157)
		Other income								
AJE 02	C0100 DCA 2	To correct the entry made wherein no check was processed for the related invoice.								
		Cash	6,244							
		Accounts Payable			(6,244)					
AJE 03	N0100 DCA 2	To accrue for services received by Chamorro Village for months within Fiscal Year 2019.								
		Expenses: Meals and entertainment								600
		Expenses: Water								5,788
		Expenses: Contractual services (Accounting)								1,800
		Accounts payable			(8,188)					
AJE 04	N0100 DCA 7	To accrue for services received by Guam Museum for months within Fiscal Year 2019.								
		Expenses: Contractual services								11,911
		Accounts payable			(11,911)					
AJE 05	E0100 DCA 2	To reclassify accounts receivable credit balances to accounts payable								
		Accounts receivable	3,963							
		Accounts payable			(3,963)					



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

A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement, effect of the current period	Non taxable	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
AJE 06		To expense outright the newly acquired desktop computer. DCA 2 Expenses: Supplies and equipment Inventory	(5,972)							5,972	
AJE 07		To increase Allowance for inventory obsolescence balance. DCA 3 Expenses: Provision for inventory obsolescence Inventory: allowance for inventory obsolescence	(8,308)							8,308	
AJE 08		To recognize amounts receivable as of 9/30/19 from GEDA related to the Guam Museum and paid to Galaide for construction as passsthrough rather than as expense. DCA 1 Accounts receivables Expenses: Contractual expense		50,895						(50,895)	
AJE 09		To reclassify water usage charged to Chamorro Village Food tenants as CV does not have an principal/agent relationship with GWA. DCA 2 Expenses: Utilities Leases								17,849 (17,849)	
AJE 11		To reflect the subsequent collection of FY2017 revenues in FY2019. DCA 7 Trade receivables: Allowance for doubtful accounts Other income		66,386						(66,386)	
AJE 12		To adjust PY revenue recorded in the CY revenue. DCA 7 Other income Accounts Receivable		(80,353)						80,353	



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19 October 2016

A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements Debit/(Credit)							Income statement effect of the current period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
AJE	UA0100	To record the gross revenues related to admissions, events and net revenues from Café and Gift Shop operations for FY19.								
13	DCA 7	Accounts Receivable	22,208							
		Other income							(22,208)	
AJE	E0100	To provide allowance for doubtful accounts for >90 days and those evicted subsequent to year end.								
14	DCA 2	Other income								5,354
		Trade receivable- Allowance for doubtful accounts	(5,354)							
AJE	UA0100	To recognize allowance for doubtful accounts.								
15	DCA 7	Other income								13,530
		Trade receivable: Allowance for doubtful accounts	(13,530)							
RJE	VD0100	To reclassify Janitorial supplies.								
01	DCA 2	Expenses: Contractual								51,108
		Expenses: Supplies and equipment							(51,108)	
FESTPAC Transferred out to other governments										
		Total Assets	(25)							
		Total Liabilities			1,802					
		Total Equity					(1,777)			
% for the Arts Transferred out to other governments										
		Total Assets	(712,886)							
		Total Liabilities			0					
		Total Equity					712,886			



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

A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
									Non taxable	
		CAHA Transferred out to other governments								
		Total Assets	(8,154)							
		Total Liabilities			0					
		Total Equity					8,154			
AJE	VD0100	To correct the entry made and to adjust the passthrough expense.								
10	DCA1	Accounts Receivable	5,248							
		Expenses								(5,248)
RJE	C0100	To recognize the Receivables from GRMC as of June 2019.								
02	DCA6	Accounts Receivable	400,000							
		Cash	(400,000)							
<b>Total of corrected misstatements before income tax</b>			(549,094)	0	(30,326)	0	671,620	0	(92,200)	
Financial statement amounts			581,326	0	(288,920)	0	(292,406)		659,948	
Effect of corrected misstatements on F/S amounts			-94.5%	0.0%	10.5%	0.0%	-229.7%		-14.0%	



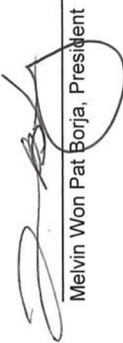
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19 October 2016

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

A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)

  
 Melvin Won Pat Borja, President  
 1/21/21  
 Date

  
 Marilyn Reyes, Administrative Officer  
 1-21-21  
 Date

  
 Jennifer Paulino, Chamorro Village Manager  
 1-21-21  
 Date



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19 October 2016

B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements													
Entity: Department of Chamorro Affairs - Non-Appropriated Funds													
Period Ended: 30-Sep-2019 Currency: USD													
Uncorrected misstatements	No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements				Equity components		Effect on the current period OCI	Income statement effect		
				Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Debit/(Credit)	Debit/(Credit)		Debit/(Credit)	Debit/(Credit)	Prior period
				Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
<b>Factual misstatements:</b>													
FY18	SAD	01	C0110 To reconcile the general ledger balance with the Bank Recon Summary (Chamorro Village). DCA2 Other expense Cash									385	X
FY18	SAD	02	C0100 To zero out the GL balance of CAHA's account 101 for which no transaction has been recorded since 2008 and the account remain is unused. DCA4 Cash Other income									(830)	X
FY18	SAD	03	C0100 To properly reflect the cash balance as of fiscal year end DCA7 Cash Other income									(336)	X
FY19	SAD	01	C0100 To zero out the GL balance of CAHA's account 101 for which no transaction has been recorded since 2008 and the account remain is unused. DCA4 Cash Other income		830								
<b>Judgmental misstatements:</b>													
None noted.													
<b>Total of uncorrected misstatements before income tax</b>						0	0	0	0	0	0	(771)	
<b>Total of uncorrected misstatements</b>						0	0	0	0	0	0	(771)	

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B – Summary of Uncorrected Misstatements, continued

**Communication schedule for uncorrected misstatements**  
 Entity: Department of Chamorro Affairs - Non-Appropriated Funds Period Ended: 30-Sep-2019 Currency: USD

Uncorrected misstatements	Analysis of misstatements				Effect on the current period OCI		Income statement effect of the current period	
	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable
WP ref. Account (Note 1) (misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable
Financial statement amounts	581,328	0	(259,920)	0	(522,468)	659,948	(180,869)	0.4%
Effect of uncorrected misstatements on F/S amounts	0.1%	0.0%	0.0%	0.0%	0.0%	-0.1%	(771)	0.4%
Memo: Total of non-taxable items (marked 'X' above)								
Uncorrected misstatements before income tax								
Less: Tax effect of misstatements at current year marginal rate								
Uncorrected misstatements in income tax								
Cumulative effect of uncorrected misstatements after tax but before turnaround								
Turnaround effect of prior period uncorrected misstatements								
All factual and projected misstatements: Judgmental misstatements (Note 9):								
Cumulative effect of uncorrected misstatements, after turnaround effect								
Current year income before tax								
Current year income after tax								

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

After tax Memo: Before tax

771 771

0 0

(180,869) (52)

659,948

1/21/21 Date  
 Melvin Won Pat Borja, President

1-21-21 Date  
 Marilyn Reyes, Administrative Officer

1-21-21 Date  
 Jennifer Paulino, CV Manager

19 October 2016

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

C – Management’s Representation Letter

DIPATTAMENTON I KAOHAO GUINAHAN CHAMORU  
Department of CHamoru Affairs



Melvin Won Pat Borja  
*Akto Mās Ge'helo*



Lourdes A. Leon Guerrero  
*Maga'håga*  
Joshua F. Tenorio  
*Sigundo Maga'låhi*

January 21, 2021

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

*Håfa Adai!* 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, 2019 and 2018 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 August 7, 2020, 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:

- 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.

***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 taken as a whole. *Si Yu'os Ma'åse'*

  
MELVIN WON PAT BORJA  
President



193 Chalan Santo Papa Juan Pablo Dos Hagåtña, Guam 96910  
P.O. Box 2950 Hagåtña, GU 96932 Tel: (671) 989-2426 ♦ Fax: (671) 989-7219





C – Management’s Representation Letter, continued

***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, 2019.

***Minutes and contracts***

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

**Department of Chamorro Affairs**

October 9, 2018  
November 20, 2018  
December 21, 2018  
January 30, 2019  
March 27, 2019  
September 17, 2019  
November 19, 2019  
January 7, 2020  
January 28, 2020  
March 3, 2020  
July 9, 2020

**Guam Council on the Arts and  
Humanities**

February 26, 2019  
March 19, 2019  
April 18, 2019  
May 16, 2019  
June 13, 2019

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.

***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).

C – Management’s Representation Letter, continued

***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.

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 any 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***

There have been no 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.

***Purchase commitments***

At September 30, 2019 and 2018, 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, 2019 and 2018 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

***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.

C – Management’s Representation Letter, continued

***Independence***

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.

***Conflicts of interest***

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 has been reported by you as a finding in your Schedule of Findings and Responses. We inform you that there are no other 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. 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.

C – Management’s Representation Letter, continued

***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. 84
- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- 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.

***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.

***Subsequent events***

Subsequent to September 30, 2019, 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.

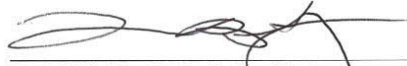
The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds

C – Management’s Representation Letter, continued

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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,



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Mr. Melvin Won Pat Borja, President



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Ms. Marilyn Reyes, Administrative Services Officer



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Ms. Jennifer Paulino, Manager / Program Coordinator (Chamorro Village)