

Management letter comments and recommendations

Government of Guam
Tourist Attraction Special Revenue Fund,
Capital Projects Fund, and Debt Service Fund
(Governmental Funds of the Government of Guam)

Year ended September 30, 2022





Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

May 17, 2023

Mr. Edward M. Birn
Director
Guam Department of Administration
590 South Marine Corps Drive
2nd Floor, ITC Building, Suite 224
Tamuning, Guam 96932

In planning and performing our audit of the combined financial statements of the Tourist Attraction Special Revenue Fund, Capital Projects Fund, and Debt Service Fund related to the Government of Guam Hotel Occupancy Tax Revenue Bonds, 2021 Series A (the Funds) as of and for the year ended September 30, 2022, in accordance with the auditing standards generally accepted in the United States, we considered its internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following observation which we believe merits the attention of those charged with governance:

Financial Statement Close Process
(Update of Prior Year Comment)

Observation

The fiscal year end September 30, 2022 books of the Funds were not closed on a timely basis. The trial balances were not provided to us until nearly three (3) months after the close of the fiscal year. In addition, the Funds noted numerous adjustments for the year-end balance. Management asserts that the root cause in the delay is the continued use of a financial management system that has not been updated to incorporate financial year end closing as a standard feature.

This has caused incurrence of additional man hours that may be avoidable had the use of an updated new financial management system been in place.

Recommendation

It is our understanding that Management has begun the process to procure a new financial management system. We encourage Management to complete the procurement process and ensure that the new financial management system incorporates all required year end closing processes that will resolve this matter and promote efficiency in the closing process.

Expenditures Exceeding Appropriations

Observation

Public Law (PL) 36-54 appropriated a total of \$1,264,854 from the Guam Tourist Attraction Special Revenue Fund to the Department of Administration (DOA) for fiscal year ended September 30, 2022. Total expenditures exceeded the amount appropriated by \$1,749,087. Expenditures made to the DOA that exceed the amounts appropriated pertain to 2022 bond interest payments.

Recommendation

We recommend that internal controls be set in place to ensure that total expenditures are periodically compared to total appropriations to ensure that such over expenditures do not occur. In cases where there is a need to expend amounts greater than appropriations, approvals should be obtained and documented to reflect such decisions.

* * * * *

This communication is intended solely for the information and use of the management, others within the organization and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

We thank the accounting staff of the Department of Administration for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

Sincerely,

