

Management Letter

Guam Power Authority
(A Component Unit of the Government of Guam)

Year Ended September 30, 2023





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May 16, 2024

Mr. John M. Benavente
General Manager
Guam Power Authority
Gloria B. Nelson Public Service Building
688 Route 15, Mangilao, Guam 96913

In planning and performing our audit of the financial statements of Guam Power Authority (GPA or the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2023, 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, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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.

During our audit, we identified other matters that we wish to bring to your attention.

1. Utility Tampering Charges

Condition:

During the year ended September 30, 2023, GPA recognized \$1,116,298 of revenue arising from customer tampering charges. However, collection of these charges may only occur when customers return for reconnection services. Should customers unable to request for reconnection, collection of these charges is remote.

Recommendation:

We recommend that GPA adopt policies and procedures in the pursuit of tampering charges collections.

2. Allowance for Doubtful Accounts

Condition:

GPA provides allowance for doubtful accounts based on certain percentage of revenues yearly and has no formal policy in evaluating the adequacy of reserve at year-end in consideration with aging of past due receivables.

Recommendation:

We recommend that GPA management reconsider the application of the existing allowance for doubtful account policy in evaluating the adequacy of reserve at year-end in consideration with aging of past due receivables and probable chance of collections.

3. Other Matter - Noncompliance

Condition:

The Authority maintains a Working Capital Fund pursuant to the Senior Indenture, which is required to be funded in an amount equal to 1/12th of the aggregate amount of Maintenance and Operating Expenses, including fuel costs, budgeted to be paid from Revenues during the then-current Fiscal Year. At September 30, 2023, working capital fund fell short from the required minimum balance.

Recommendation:

We recommend that GPA management timely address working capital fund requirement.

4. General IT Controls - Untimely Removal of System Access of Separated Employees

Condition:

Two (2) out of five (5) sampled users have system access untimely removed beyond the employee's resignation date:

Employee	Termination Date	Access Removal Request Date	JDE Access as of 09/30/2023
Jason Sablan	08/04/2023	08/15/2023	Enabled
Bernadette Sablan	10/07/2022	04/07/2023	Enabled

Recommendation:

We recommend that management reviews policies and procedures to ensure timely termination of user access.

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

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP