

Management Letter

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

Year ended September 30, 2022





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August 18, 2023

The Board of Directors
Guam Waterworks Authority
Ste 200, Gloria B. Nelson Public Service Building
Tamuning, Guam, 96931

In planning and performing our audit of the financial statements of the Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, 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 noted the following deficiencies in internal control (as described above) and other matters:

Allowance for Doubtful Accounts

Observation:

The Authority's receivables with past due balances over 120 days and allowance for doubtful accounts amounted to approximately \$8.1 million and \$9.8 million, respectively as of September 30, 2022. Management attributes the high collection rates in fiscal year 2022 to government subsidies provided through pandemic assistance.

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Recommendation:

Management should continue to monitor and reassess its allowance for doubtful accounts based on the current economic conditions and historical experience of collectability to adequately set the level of allowance for doubtful accounts.

This communication is intended solely for the information and use of management and the Board of Directors 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