

*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, 2020*





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October 15, 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, 2020, 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 October 15, 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 April 26, 2021, 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.

### **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, 2020.

**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, 2019 to October 15, 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 October 15, 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**

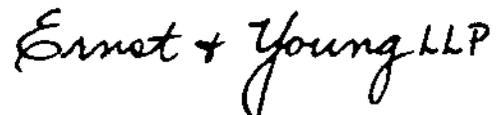
We are not aware of any relationships between Ernst & Young and our related entities, and the DCANAF, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

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.

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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,

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

## Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management’s Representation Letter

A – Summary of Corrected Misstatements

Summary of corrected misstatements		Entity:	Department of Chamorro Affairs - Non-Appropriated Funds	Period ended:	30-Sep-2020	Currency:	USD					
No.	W/P ref.	Account	Corrected misstatements				Analysis of misstatements				Income statement effect of the current period	
			Assets		Liabilities		Equity components		Effect on the current period OCI			
(misstatements are recorded as journal entries with a description)			Current	Non-current	Current	Non-current	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
BEG   DCA 1   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												
AJE	T0100	Accounts receivable: Other receivables	203,852									(2,313)
		Other income									(201,539)	
		Net position at beginning of year										
BEG   DCA 2   To adjust the beginning balance of net position for the Chamorro Village to match that of the ending balance per the audited financial statements												
AJE	T0100	Net position at beginning of year								134,223		
		Cash		1,157								(11,096)
		Accounts receivable		(30,832)								
		Other assets		(45,000)								
		Trade receivables: Allowance for doubtful accounts		(34,292)								
		Expenses: Meals and entertainment										(600)
		Expenses: Water										(5,788)
		Expenses: Contractual services (Accounting)		(5,972)								(1,800)
		Inventory										
BEG   DCA 3   To adjust the beginning balance of net position for RPT to match that of the ending balance per the audited financial statements												
AJE	T0100	Other income									(91)	
		Net position at beginning of year										91
BEG   DCA 4   To adjust the beginning balance of net position for Guam Museum to match that per the audited financial statements												
AJE	T0100	Net position at beginning of year									2,651	
		Accounts receivables		68,898								582
		Other Expenses										(11,911)
		Contractual services										
		Accounts receivables: Allowance for doubtful accounts		(60,220)								

A – Summary of Corrected Misstatements, continued

Corrected misstatements		Analysis of misstatements						Income statement effect of the current period	
		Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI		
No.	W/P ref.	Account description		Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 01	DCA 2 E0100	To reclassify accounts receivable credit balances to accounts payable		7,344					
		Accounts receivable				(7,344)			
		Accounts payable							
AJE 02	DCA 2 E0100	To provide allowance for doubtful accounts for >90 days and those evicted subsequent to year end							
		Lease Revenue							15,204
		Trade receivable, Allowance for doubtful accounts		(15,204)					
AJE 03	DCA 2 C0100	To derecognize cash received in Chamorro Village's main bank account but was recognized in a separately GL account							
		Other expense							5,947
		Cash		(5,947)					
AJE 04	DCA 4 C0100	To revert to cash account the checks outstanding for more than six months.							
		Cash		734					
		Other income							(734)
AJE 05	DCA 2 N0100	To write off 2016 long outstanding payable.							
		Accounts Payable				12,544			
		Other income							(12,544)
AJE 06	DCA 2 N0100	To record the difference between GL and SL.							
		Other expenses							1,175
		Accounts payable				(1,175)			
AJE 07	DCA 2 N0100	To reclassify accounts payable with debit balances to accounts receivables.							
		Accounts receivable		3,531					
		Accounts payable				(3,531)			
AJE 08	DCA 2 N0100	To accrue for services received by Chamorro Village for months within FY2020.							
		Utilities							7,475

A – Summary of Corrected Misstatements, continued

Summary of corrected misstatements

Entity: Department of Chamorro Affairs - Non-Appropriated Funds      Period ended: 30-Sep-2020      Currency: USD

No.	W/P ref.	Account	Analysis of misstatements						Income statement effect of the current period	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI		
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	
		Accounts payable			(7,475)					
AJE 09	DCA 2	To close fully settled accrued expenses since 2018.								
	N0100	Accrued expenses			3,845					(3,845)
		Other income								
AJE 10	DCA 1	To close fully settled payable.								842
	N0100	Other income								
		Accounts payable			(842)					
AJE 11	DCA 3	To gross-up negative balance in inventory.								(361)
	F0100	Inventory	78,594							
		Allowance for inventory obsolescence	(78,233)							
		Other income								
AJE 12	DCA 4	To recognize the recovery of FY18 receivables that was provided an allowance that was collected in FY20								(30,281)
	UA0100	Accounts Receivable	30,281							
		Other income								
AJE 13	DCA 4	To recognize receipts of FY19 revenues in FY20 as a reduction in AR rather than revenues.								8,678
	UA0100	Other income								
		Accounts Receivable	(8,678)							

A – Summary of Corrected Misstatements, continued

Summary of corrected misstatements		Period ended: 30-Sep-2020	Currency: USD							
Entity: Department of Chamorro Affairs - Non-Appropriated Funds										
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	
AJE	DCA.4	To write off remaining receivable balance								
14	UA0100	Trade receivable: Allowance for doubtful accounts	29,939							
		Accounts Receivable	(29,939)							
RJE	DCA.2	To properly classify expenses incurred related to solid waste management services.								
01	VD0100	Utilities							12,540	
		Contractual expenses							(12,540)	
RJE	DCA.2	To correct the entry made wherein no check was processed for the related invoice.								
02	C0100	Cash	6,244							
		Accounts Payable			(6,244)					
RJE	DCA.2	To reclassify water usage charged to Chamorro Village Food tenants as CV does not have an principal/agent relationship with GWA.								
03	VD0100	Utilities							13,293	
		Lease Revenue							(13,293)	
<b>Total of corrected misstatements before income tax</b>			116,257	0	(10,222)	0	(64,756)	0	(41,279)	
<b>Financial statement amounts</b>			449,860	0	(99,051)	0	(350,809)		(58,403)	
<b>Effect of corrected misstatements on F/S amounts</b>			25.5%	0.0%	10.3%	0.0%	18.5%		70.7%	

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

A – Summary of Corrected Misstatements, continued

**Summary of corrected misstatements**  
 Entity: Department of Chamorro Affairs - Non-Appropriated Funds Period ended: 30-Sep-2020 Currency: USD

Corrected misstatements No.	W/P ref.	Account	Analysis of misstatements Debit/(Credit)				Effect on the current period OCI	Income statement effect of the current period			
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current			Equity components	Debit/(Credit)	Debit/(Credit)
		(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)	Non taxable

  
 Melvin Won Pat Borja, President  
 10/15/2021  
 Date

  
 Marilyn Reyes, Program Coordinator III  
 10/15/2021  
 Date

  
 Jennifer Paulino, Acting CV Manager  
 10/15/2021  
 Date



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

B – Summary of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements  
 Entity: Department of Chamorro Affairs – Non-Appropriated Funds  
 Period Ended: 10-Sep-2020 Currency: USD

No.	W/P ref.	Account (Note 1)	Analysis of misstatements Debit/Credit				Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current				Debit/Credit (Note 2)
		(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	Prior period Debit/Credit	Non-taxable

	10/15/2021	Date
Melvin Won Paj Borja, President		
	10/15/2021	Date
Marilyn Reyes, Program Coordinator III		
	10/15/2021	Date
Jennifer Paulino, Acting CV Manager		

Form 430GL (16 September 2021)

DIPATTAMENTON IKAOHAO GUINAHAN CHAMORU



Lourdes A. Leon Guerrero  
*Maga'haga*  
Joshua F. Tenorio  
*Sigundo Maga'lahi*

Department of Chamorro Affairs



Melvin Won Pat-Borja  
*Más Ge'nilo*

October 15, 2021

Ernst & Young LLP  
231 Ypao Road  
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Tamuning, Guam 96913

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, 2020 and 2019 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 April 26, 2021, 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:



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C – Management’s Representation Letter, continued

- 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.

From January 21, 2021 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

***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

***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, 2020.

***Minutes and contracts***

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

- November 19, 2019
- January 7, 2020
- March 3, 2020
- July 9, 2020

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.

C – Management’s Representation Letter, continued

***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).

***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.

C – Management’s Representation Letter, continued

***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. 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, 2020 and 2019, 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, 2020 and 2019 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

C – Management’s Representation Letter, continued

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. 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, 2020, 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.

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,

  
\_\_\_\_\_  
Mr. Melvin Won Pat Borja, President

  
\_\_\_\_\_  
Ms. Marilyn Reyes, Program Coordinator III

  
\_\_\_\_\_  
Ms. Jennifer Paulino, Acting Chamorro Village Manager