

June 17, 2005

Mr. David Craddick
General Manager
Guam Waterworks Authority:

Dear Mr. Craddick:

In planning and performing our audit of the financial statements Guam Waterworks Authority (GWA) for the year ended September 30, 2004, on which we have issued our report dated June 17, 2005, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding Number 1 – Timely Submission of Documents

Criteria:

Effort should be made to ensure supporting documents are submitted timely.

Condition:

The following supporting documents, i.e. vendor's invoice, approved timecards, and registration schedule were not provided/submitted in a timely manner to the accounting office. Delays ranged up to six months.

A: Expenditures (vendor's invoice)

<u>G/L Date</u>	<u>BUS Unit</u>	<u>Vendor</u>	<u>Object Acct.</u>	<u>Amount</u>
11509	5305	17953	73608	\$ 37,560

B: Employee's approved timecards

	<u>Emp #</u>	<u>PPE</u>
1	504	6/26/04
2	235	10/18/03
3	482	11/1/03
4	635	8/7/04
5	142	4/17/04

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Finding Number 1 – Timely Submission of Documents, Continued

Condition, Continued:

C: Employee's registration schedule

Emp #	PPE
594	10/2/04

Cause:

There appears to be lack of internal control over safekeeping of accounting documents.

Effect:

No known material effect on the financial statements results from this condition. However, the propriety of underlying account balances may be questioned.

Recommendation:

The Authority should ensure supporting documents are timely submitted and records are updated.

Finding Number 2 – Proper Account Time Charges

Criteria:

Time charges should be charged to appropriate accounts.

Condition:

The following time charges were charged to the wrong account.

Emp #	PPE	Per leave form	Per register
573	12/13/03	Other – 10 hours	Sick leave – 8 hours

Cause:

There appears to be lack of internal control ensuring time charges are charged to proper account.

Effect:

No known material effect on the financial statements results from this condition. However, payroll accounts are not properly charged as a result of the condition.

Recommendation:

The Authority should ensure time charges are charged to the right account.

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Finding Number 3 – Testing of Disaster Recovery Plan/Business Continuity Plan

Criteria:

Testing of the Disaster Recovery Plan/Business Continuity Plan should be performed and regularly documented.

Condition:

We were unable to attain documentation resulting from the testing of the DRP/BCP.

Cause:

Regular testing of the DRP and BCP is required to ensure that it remains current and consistent with the critical business processes. The process also trains the staff of the Authority to ensure timely recoverability of key information systems in the event of disaster.

Effect:

The absence of testing of the plans may potentially delay the restoration of critical business processes and the information system, which may result in operational problems and financial losses.

Recommendation:

We recommend that management perform a business impact analysis to ensure that recovery procedures are tested. The tests should encompass the existing computing environment as well as all of the Authority's services, and the tests should occur on a periodic basis.

Some possible options to consider (but not restricted to) for the testing are:

- The testing scenario should change from test to test;
- Conduct surprise tests when possible, taking into account financial and safety implications;
- The restoration of off-site data should be tested;
- Vendor (if any) performance should be included in the testing of recovery plans;
- Test objectives and criteria should be formally developed and published;
- Test planning assumptions should be developed and published;
- Test results are formally critiqued and the results published; and
- Identify and document plan inadequacies; test results should be promptly reported.

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This report is intended solely for the information and use of the Consolidated Commission on Utilities, the management of Guam Waterworks Authority and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of GWA during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

