

**GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2017

INDEPENDENT AUDITORS' REPORT 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

Commissioners
Consolidated Commission on Utilities:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guam Power Authority (GPA), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2017, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GPA's internal control. Accordingly, we do not express an opinion on the effectiveness of GPA'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 a 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 internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of GPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 16, 2018

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Schedule of Prior Audit Findings
Year Ended September 30, 2017

Findings relating to the financial statements, which are required to be reported in accordance with GAGAS:

Finding No: 2016-001
Area: Local Procurement

Status of finding:

Regarding item a), corrective action was taken.

Regarding item b), Supply Management Administrator (SMA) has provided hard and soft copies of the PUC Contract Review Protocol, dated May 26, 2007, to all Procurement buyers and supervisor. SMA personally reviewed the PUC's Contract Protocol with staff for clarity. Individual procurement file checklist containing Guam Code Annotated and Attorney General of Guam requirements to include the CCU and PUC requirements. Corrective action is on-going.

Regarding item c), SMA and Buyers have notified all end users of their responsibility to monitor contracts, including exercising responsible planned procurement in advance of contract expirations. Notification was issued at Procurement's Annual Purchase Order Closeout Training conducted in December 2017. Notification will be reissued at Annual Procurement Training in August 2018. AGMA conferred with Chief Information Technology Officer the need to include contract terms in existing JDE system and/or future software upgrades/purchases. Corrective action is on-going.

Finding No: 2015-002
Area: Local Procurement

Status of finding:

Regarding items a) and c): Procurement personnel were advised of this finding and recommended resolution after the FY 2015 audit. However, in light of the continued finding in the audit of Local Procurement during the FY 2016 audit, the issues persist. Consequently, on March 27, 2017, a newly recruited Assistant General Manager of Administration, whose oversight includes the Procurement division, began employment with GPA. It is the hope that, under this new level of management, the Procurement division will receive the needed guidance in adhering to local procurement laws, rules and regulations, GPA procedures and PUC rules and procedures. Corrective action is on-going.

Regarding item b), corrective action was taken.

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Schedule of Prior Audit Findings, Continued
Year Ended September 30, 2017

Findings and questioned costs – Major Federal Award Programs Audit

Finding No: 2015-001
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Award Number: DR-4224
Area: Procurement and Suspension and Debarment
Questioned Cost: \$0

Status of finding:

Procurement personnel were advised of this finding and recommended resolution after the FY 2015 audit. However, in light of the continued finding in the audit of Local Procurement during the FY 2016 audit, the issues persist. Consequently, on March 27, 2017, a newly recruited Assistant General Manager of Administration, whose oversight includes the Procurement division, began employment with GPA. It is the hope that, under this new level of management, the Procurement division will receive the needed guidance in adhering to local procurement laws, rules and regulations, GPA procedures and PUC rules and procedures. Corrective action is on-going.