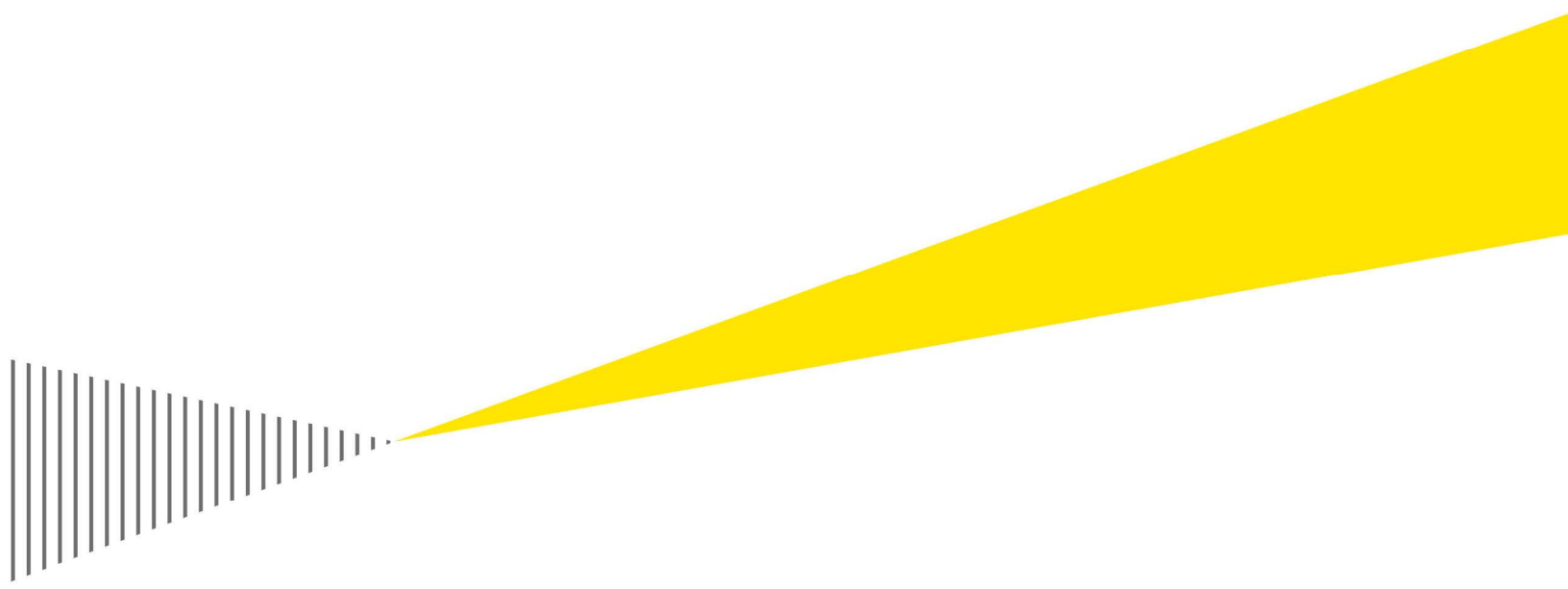


Management Letter

Guam Museum Foundation, Inc.

For the year ended December 31, 2013



**Building a better
working world**



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May 19, 2014

The Board of Directors
Guam Museum Foundation, Inc.
Hagatna, Guam

In planning and performing our audit of the financial statements of Guam Museum Foundation (the Foundation) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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.

Material Weaknesses

During our audit, we noted the following matters involving internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above.

Payroll Taxes

Observation

There was no evidence that FICA tax deposits for the 2013 year were remitted to, nor was there evidence to indicate that quarterly FICA tax returns had been filed with, the U.S. Internal Revenue Service. Furthermore, there was no evidence that income taxes withheld for the second, third and fourth quarters of 2013 were remitted to, nor was there evidence to indicate that quarterly returns had been filed with the Treasurer of Guam. Both non remittance of payroll tax deposits and non-filing of FICA and withholding tax quarterly returns expose the Foundation to penalties and interest.

Recommendation

We recommend that the Foundation immediately take action to remit unpaid taxes and file all required tax returns. The Foundation should consider outsourcing its payroll function to an outside payroll service provider.

Bank Reconciliations

Observation

Bank reconciliations for the months of January through December 31, 2013 were not prepared at the time the year end trial balance was provided to us. When the December 31, 2013 bank statement reconciliations were ultimately performed, they revealed existence of errors such as (1) duplicate deposits and (2) checks that, although were recorded in the cash disbursements journal, had been unreleased and un-mailed.

Recommendation

We recommend that the personnel diligently prepare bank reconciliations on a monthly basis. Furthermore, a member of management should affix his/her signature on all bank reconciliations to evidence that the reconciliations have been reviewed.

Accounting Personnel

Observation

The Foundation does not have staff with adequate accounting skills necessary to ensure that all routine accounting transactions have been recorded and that they are recorded accurately.

Accounting Personnel, continued

Recommendation

The Foundation should consider hiring personnel with an accounting background who will be responsible for the recording and reporting of financial activities. In addition, we recommend that management ensure personnel responsible for the financial reporting process are trained in using the Foundation's accounting software and its functions.

Deficiency

Financial Statement Close Process

Observation

During our review of the beginning balance of net assets, we noted that the prior year audit adjustments were not recorded.

Recommendation

Management should evaluate its present practices of closing the books to ensure all audit adjustments are timely recorded.

This communication is intended solely for the information and use of the management and the Board of Directors of the Foundation, others within the organization 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