

Management Letter

Guam Economic Development Authority

Year ended September 30, 2021





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The Board of Directors
Guam Economic Development Authority

In planning and performing our audit of the financial statements of the Guam Economic Development Authority (GEDA) as of and for the year ended September 30, 2021, 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 GEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the GEDA'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 a matter that we wish to bring to your attention.

Federal Awards

Condition:

GEDA incurred costs for the State Trade Expansion Program funded by the United States Small Business Administration (US SBA), which were recorded as receivables from US SBA. We observed that a post-closing entry was made to recognize the activity in the statement of revenues, expenses and changes in net position as grant revenue and expenditures.

Recommendation:

Transactions related to GEDA's programs should be recorded as part of its governmental activities. Management should consider the guidance in Government Accounting Standards Board Statement (GASB) No. 84 – *Fiduciary Activities* in developing policies and procedures to help identify governmental and fiduciary activities.

Federal Awards, continued

Management's Response:

Historically, federal funds were not a material source of revenue for GEDA. As GEDA actively seeks more federal funds via grant programs, GEDA will develop policies and procedures that are consistent with the new GASB No. 84 – *Fiduciary Activities*. GEDA will implement monthly monitoring of costs associated with current and new federal grant programs. These costs that are identified as GEDA's governmental and fiduciary activities will be recorded accordingly. This monthly tracking will also assist GEDA in identifying threshold requirements for annual single audits.

This communication is intended solely for the information and use of management and the Board of Directors of GEDA, 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 matter or to respond to any questions, at your convenience.

Ernst + Young LLP