

Management Letter

Guam Power Authority
(A Component Unit of the Government of Guam)

Year ended September 30, 2022





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Mr. John M. Benavente
General Manager
Guam Power Authority
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In planning and performing our audit of the financial statements of Guam Power Authority (GPA or the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 other matter that we wish to bring to your attention.

1. Utility Tampering Charges

Condition:

During the year ended September 30, 2022, GPA recognized \$244,701 of revenue arising from customer tampering charges. However, collection of these charges may only occur when customers return for reconnection services. Collection of these charges is remote should customers not request for reconnection.

Recommendation:

We recommend that GPA adopt policies and procedures in the recording and pursuit of tampering charges collections.

2. Allowance for Doubtful Accounts

Condition:

GPA provides allowance for doubtful accounts based on certain percentage of revenues yearly and has no formal policy in evaluating the adequacy of reserve at year-end in consideration with aging of past due receivables.

Recommendation:

We recommend GPA management to reconsider the application of the existing allowance for doubtful account policy in evaluating the adequacy of reserve at year-end in consideration with aging of past due receivables and probability of collections.

3. Other Matter - Noncompliance

Condition:

The Authority maintains a Working Capital Fund pursuant to the Senior Indenture, which is required to be funded in an amount equal to 1/12th of the aggregate amount of Maintenance and Operating Expenses, including fuel costs, budgeted to be paid from Revenues during the then-current Fiscal Year. At September 30, 2022, the working capital fund fell short from the required minimum balance.

Recommendation:

We recommend GPA management timely address the working capital fund requirement.

4. General IT Controls - Lack of evidence on JDE system backup monitoring

Condition:

GPA uses Avamar software to manage JDE system backup. Avamar is set to automatically send out daily backup email notifications, which GPA uses to monitor successful completion of system backups. However, we noted that 7 out of 25 sampled backup reports cannot be located. Additionally, Avamar was not operational from March to July 2022 and there was no backup monitoring during this period. Alternative documentation to evidence backup monitoring and completion for these dates was not available.

Recommendation:

We recommend GPA management to ensure sufficient documentation on system backup and monitoring, including resolutions for any backup issues encountered.

5. General IT Controls - Delay in the completion of the User Access Review / Security Verification

Condition:

GPA's 2022 Memorandum on JDE E1/CC&B Security Verification Report (SVR), requires GPA divisions to complete the review of SVR no later than September 30, 2022. We noted that 2 out of 21 divisions completed the review beyond the required timeline, summarized as follows:

Division	Date reviewed	Days late
Engineering	10/11/2022	11
Human Resource	10/10/2022	10

Recommendation:

We recommend GPA management adopt a policy for User Access Review detailing the scope, process including the escalation procedures and turn-around time to facilitate timeliness of the review.

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

Ernst + Young LLP