

Management Letter

Guam Community College

(A Component Unit of the Government of Guam)

Year Ended September 30, 2022





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Board of Trustees
Guam Community College

In planning and performing our audit of the financial statements of the Guam Community College (the College) 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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.

During our audit, we identified deficiencies in internal control that we wish to bring to your attention:

Net Receivables from Guam Community College Foundation

Condition:

The College does not have a formal process to maintain and collect net receivables from Guam Community College Foundation (the Foundation). As of September 30, 2022, net receivables amounted to \$1,617,200 of which \$1,335,087 is outstanding for greater than 1 year.

Recommendation:

Management should formalize the internal control policies and procedures in maintaining and collecting the receivables from the Foundation.

Allowance for Doubtful Accounts

Condition:

The College does not consider the aging of receivables in estimating the allowance for doubtful accounts. Approximately \$246,000 of receivables outstanding for greater than 90 days were not provided an allowance as of September 30, 2022.

Recommendation:

Management should revisit its policy to consider the age of receivables, prior knowledge about the customer and historical collection experience in calculating the allowance for doubtful accounts.

Elimination Entries for External Reporting Purposes

Condition:

During the year ended September 30, 2022, internal revenues and costs of \$155,450 pertaining to departmental share from special projects were not eliminated by the College for external reporting of its financial statements.

Recommendation:

Management should eliminate all internal revenues and costs it records when reporting the financial statements to external parties and regulators.

This communication is intended solely for the information and use of management and the Board of Trustees of the College, 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