



Management Letter

**Department of Chamorro Affairs -  
Non-Appropriated Funds**

*For the year ended September 30, 2012*

Ernst & Young LLP

May 10, 2013

The Board of Trustees  
Department of Chamorro Affairs – Non-Appropriated Funds  
Hagatna, Guam

In planning and performing our audit of the financial statements of Department of Chamorro Affairs - Non-Appropriated Funds (DCANAF) as of and for the year ended September 30, 2012, 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 DCANAF's internal control. Accordingly, we do not express an opinion on the effectiveness of DCANAF'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 noted the following deficiencies in internal control, as described above:

#### Formal Policy to Estimate Allowance for Uncollectible Accounts

Condition:

DCANAF has not adopted a written policy for calculating an estimate of allowance for uncollectible accounts. We noted that lease receivables from former tenants, which have been outstanding for more than one year, were not provided with an allowance.

Recommendation:

We recommend that DCANAF establish a written policy in determining the allowance for doubtful accounts. This policy should include a process wherein the aging of accounts receivable is reviewed to assess the collectability of individual accounts.

## Deposit of Cash on Hand

### Condition:

We noted that some foreign currency cash, relating to the Festival of the Pacific (FESTPAC) account, was not deposited. The cash was placed in a folder along with other receipts and documents.

All cash should be deposited in a timely manner in order to prevent loss.

### Recommendation:

We suggest that DCANAF improve its control over cash by ensuring that collections, such as return of travel advances, are deposited on the next banking day.

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