

February 15, 2012

The Board of Trustees  
Guam Educational Telecommunications Corporation

Dear Members of the Board of Trustees:

We have performed an audit of the financial statements of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated February 15, 2012.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of PBS Guam is responsible.

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, has been described in our engagement letter dated September 18, 2011. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of PBS Guam’s basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on PBS Guam’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2011 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of management and the Board of Trustees are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.

We considered PBS Guam's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PBS Guam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PBS Guam's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2011, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## **AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS**

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on PBS Guam's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2011 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **SIGNIFICANT ACCOUNTING POLICIES**

PBS Guam's significant accounting policies are set forth in Note 2 to PBS Guam's 2011 financial statements. During the year ended September 30, 2011, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by PBS Guam:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

The implementation of these pronouncements did not have a material effect on the financial statements of PBS Guam.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.

## **OTHER INFORMATION IN THE ANNUAL REPORTS OF PBS GUAM**

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that PBS Guam issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in PBS Guam's 2011 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Trustees.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to PBS Guam's 2011 financial statements.

## **CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2011.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of PBS Guam's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations PBS Guam is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION**

We did not have discussions regarding the application of accounting principles or auditing standards with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances prior to our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of PBS Guam's management and staff and had unrestricted access to PBS Guam's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated February 15, 2012, on PBS Guam's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

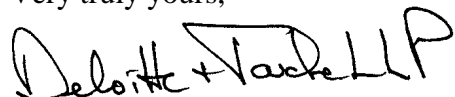
We have identified and included in Appendix IV, a control deficiency involving PBS Guam's internal control over financial reporting as of September 30, 2011, that we wish to bring to your attention.

The definition of a deficiency is also set forth in the attached Appendix IV.

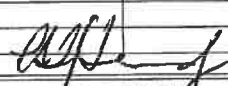
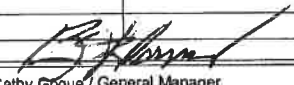
This report is intended solely for the information and use of the Board of Trustees, management, the Office of the Public Accountability of Guam and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of PBS Guam for their cooperation and assistance during the course of this engagement.

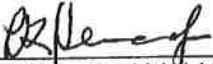
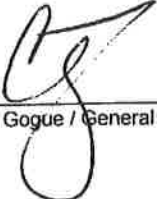
Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

APPENDIX I

Journal Entries - AJE			
#	Name	Debit	Credit
<b>1 AJE To reconcile beg fund balance</b>			
2000-2001	Accounts Payable - PF	-	10,200.00
2010-2013	Accrued Wages Payable	13,747.31	-
2200-2021	CSG Deferred revenue	5,000.00	-
5999-3880	Retained Earnings	-	8,547.31
		18,747.31	18,747.31
<b>2 AJE To adjust PBS Invoice</b>			
2000-2001	Accounts Payable - PF	43,698.61	-
5030-5023	CSG-PBS Membership Assess	-	43,698.61
		43,698.61	43,698.61
<b>3 AJE To capitalize expense to fixed assets</b>			
1200-1042	Building Improvements	27,219.11	-
3002	Fund Balance-Plant	-	27,219.11
		27,219.11	27,219.11
<b>4 AJE To correct accrued wages</b>			
2010-2013	Accrued Wages Payable	17,830.02	-
2010-2015	Payroll Liabilities	2,562.71	-
5000-5001	CSG-Productions Salaries	-	20,392.73
		20,392.73	20,392.73
<b>5 AJE To adjust accrued AL/SL</b>			
1020-1101	Amount to be Provided for Leave	-	794.05
2016-2016	Long Term Leave	794.05	-
1020-1104	Amt to provide DC Sick Leave	-	4,408.80
2018-2019	DC Sick Leave Liability	4,408.80	-
		5,202.85	5,202.85
<b>6 AJE To adjust deferred revenue account</b>			
2200-2021	CSG Deferred revenue	-	66,138.43
4010-4002	CSG-Community Serv. Grant	66,138.43	-
		66,138.43	66,138.43
<b>7 AJE To reclassify repairs expense</b>			
5050-5063	PF-Bldg./Grounds Maint.	-	27,219.00
5020-5081	PF-Equipment	27,219.00	-
		27,219.00	27,219.00
I have reviewed the adjustments and reclassifications above and authorized that they be recorded in the general ledger as of September 30, 2011. The adjustments are results of errors and not results of fraud or illegal acts.			
			
	Lorraine Hernandez / Administrative Officer		
			
	Cathy Gogue / General Manager		

APPENDIX II

Guam Educational Telecommunications Corporation Summary of Current Year Misstatements 30-Sep-11				APPENDIX A
Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Difference in depreciation expense Dr. Depreciation expense Cr. Accumulated depreciation	(8,611)			8,611
Wrong GL classification of ticket sales sold on behalf of third party Dr. Miscellaneous income Cr. Fundraising events				7,240 (7,240)
	(8,611)	0	0	8,611
<p><b>Concurrence:</b> The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.</p> <p> Lorraine Hernandez / Administrative Officer</p> <p> Cathy Gogue / General Manager</p>				

Guam Educational Telecommunications Corporation

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February 15, 2012

Mr. Daniel S. Fitzgerald  
Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913

Dear Mr. Fitzgerald:

We are providing this letter in connection with your audit of the financial statements of the governmental activities and the General Fund of Guam Educational Telecommunications Corporation (PBS Guam) as of October 1, 2010 and for the year ended September 30, 2011, which collectively comprise PBS Guam's basic financial statements for the purposes of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in fund balances of PBS Guam in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the governmental activities and the General Fund in conformity with GAAP.
- b. The fair presentation of the required supplementary information including, Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the basic financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the basic financial statements was a matter of convenience rather than one of necessity. We have reviewed the basic financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:



## Guam Educational Telecommunications Corporation

- a. The basic financial statements properly classify all funds and activities.
  - b. Net assets components (invested in capital assets; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  - c. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - d. Revenues are properly classified in the statement of activities.
  - e. Deposits are properly classified in category of custodial credit risk.
  - f. Capital assets are properly capitalized, reported and, if applicable, depreciated.
  - g. Required supplementary information is measured and presented within prescribed guidelines.
2. PBS Guam has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  3. PBS Guam has provided you:
    - a. Financial records and related data for all financial transactions of PBS Guam and for all funds administered by PBS Guam. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by PBS Guam and provide the audit trail to be used in a review of accountability. Information presented in the financial reports is supported by the books and records from which the basic financial statements have been prepared.
    - b. Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared as well as Public Laws enacted by the Government of Guam's Legislature.
    - c. Contracts and grant agreements (including amendments, if any).
  4. There have been no:
    - a. Action taken by PBS Guam's management that contravenes the provision of federal laws and local laws and regulations or of contracts and grants applicable to PBS Guam.
    - b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the basic financial statements.
  5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
  6. PBS Guam has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has





## Guam Educational Telecommunications Corporation

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made available to you their understanding about the risks of fraud in PBS Guam and do not believe that the basic financial statements are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting PBS Guam involving:
  - a. Management.
  - b. Employees who have significant roles in PBS Guam's internal control over financial reporting.
  - c. Others, if the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting PBS Guam received in communications from employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. We adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this pronouncement did not have a material effect on the basic financial statements of PBS Guam.
12. We adopted the provisions of GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this pronouncement did not have a material effect on the basic financial statements of PBS Guam.
13. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.
14. In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the



## Guam Educational Telecommunications Corporation

implementation of this statement will have a material effect on the financial statements of PBS Guam.

15. In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.
16. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.
17. In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.
18. In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PBS Guam.
19. We are responsible for the fair presentation of the additional information accompanying the basic financial statements that is presented for the purpose of additional analysis of the basic financial statements.

Except where otherwise stated below, immaterial matters less than \$10,800 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

20. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the basic financial statements.
21. PBS Guam has no plans or intentions that may affect the carrying value or classification of assets and liabilities.



## Guam Educational Telecommunications Corporation

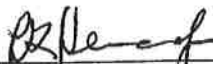
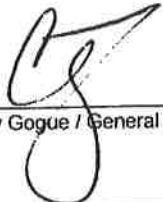
22. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the basic financial statements:
- Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - Guarantees, whether written or oral, under which PBS Guam is contingently liable.
23. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - The effect of the change would be material to the financial statements.
24. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the basic financial statements:
- The concentration exists at the date of the financial statements.
  - The concentration makes PBS Guam vulnerable to the risk of a near-term severe impact.
  - It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
25. There are no:
- Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
26. PBS Guam has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. PBS Guam has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
28. No events have occurred after September 30, 2011, but before February 15, 2012, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.



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CATHY GOGUE  
General Manager

**APPENDIX III, CONTINUED**

Guam Educational Telecommunications Corporation Summary of Current Year Misstatements 30-Sep-11				APPENDIX A
Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Difference in depreciation expense Dr. Depreciation expense Cr. Accumulated depreciation	(8,611)			8,611
Wrong GL classification of ticket sales sold on behalf of third party Dr. Miscellaneous income Cr. Fundraising events				7,240 (7,240)
	(8,611)	0	0	8,611
<p><b>Concurrence:</b> The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.</p>				
<p> _____ Lorraine Hernandez / Administrative Officer</p>				
<p> _____ Cathy Gogue / General Manager</p>				

**SECTION I - CONTROL DEFICIENCY**

We identified, and have included below, a control deficiency involving PBS Guam’s internal control over financial reporting as of September 30, 2011 that we wish to bring to your attention:

1. Procurement Procedure

Condition: Of twenty-four non-payroll expenditures tested, four indicated absence of documentation supporting the basis of vendor selection.

<u>Date</u>	<u>Ref</u>	<u>Description</u>	<u>Amount</u>
03/15/2011	PO# 0075	Airline tickets	\$ 4,777
04/18/2011	PO# 0096	Airline tickets	\$ 5,983
04/29/2011	PO# 0103	Concert expenses	\$16,875
04/29/2011	DM	Talent fee	\$ 8,075

Recommendation: We recommend that PBS Guam strengthen controls over procurement. Documentation of the efforts made to contact other available vendors should be evident. PBS Guam should adhere to established procurement procedures.

**SECTION II - OTHER MATTERS**

There were no other matters.

**SECTION III - DEFINITIONS**

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *deficiency* 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.