

**GUAM POWER AUTHORITY  
(A COMPONENT UNIT OF THE  
GOVERNMENT OF GUAM)**

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL**

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**YEAR ENDED SEPTEMBER 30, 2010**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Consolidated Commission on Utilities:

We have audited the financial statements of Guam Power Authority (GPA) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered GPA's internal control over financial reporting 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 GPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GPA's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of finding and response as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether GPA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of GPA in a separate letter dated February 25, 2011.

GPA's response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit GPA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Consolidated Commission on Utilities, management of GPA, the Office of Public Accountability - Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.



February 25, 2011

# GUAM POWER AUTHORITY

## Schedule of Finding and Response Year Ended September 30, 2010

Finding No.: 2010-1  
Area: General Computer Controls

**Criteria:** An effective computer control environment includes adequate preventative and detective controls. Preventative controls include the configuration of system access rights on a need-to-know and need-to-do basis and a periodic review of these access rights to determine continuing pertinence. Detective controls include adequate audit trails of modification through the use of system reports with sufficient detail to identify the users who make the changes.

**Condition:** Users in the Utiligy systems who are assigned in the groups of accounting staff, accounting supervisor, customer service supervisors and customer service representatives (CSR) have the access rights of “Delete” and/or “Update1.” Users with these rights can delete and/or modify the meter reading and billing information. Although certain access rights within these groups are necessary in the normal course of business, others are not. For instance, CSRs should not have the right to delete billing information. Additionally, the Utiligy system has not been configured to produce a system report that captures all the changes and modifications that are made by these users.

**Cause:** The condition was caused by a lack of comprehensive system architectural design during Utiligy’s implementation phase.

**Effect:** Excessive access rights to users without compensating controls provide potentials for unauthorized changes; furthermore, the lack of a direct system audit trail results in deficient detective controls to discover unauthorized activities.

**Recommendation:** GPA should consider implementing compensating controls to remedy the lack of system audit trails.

### Auditee Response and Corrective Action Plan:

- Name and job title of responsible personnel: Randall V. Wiegand, Chief Financial Officer
- Specific corrective procedures to be performed and date of performance: GPA will review the persons with access rights for the “delete” and “Update1” function and ensure that all persons with rights have a business reason for having those rights. GPA is using a customer information system that is no longer supported by the vendor. They have moved on to a higher version of the software which will require a significant investment on the part of GPA to implement. Thus, there is no reasonable potential for adding a sufficient audit trail function in the meter data fields of the software. GPA is not satisfied with its current customer information system software for a variety of reasons and is initiating a project to replace the system. GPA has retained a software consultant to conduct of study of GPA’s software needs and provide guidance for the direction of a new Enterprise Resource Planning software package which would include the customer information system. GPA is targeting FY13 as the period for the implementation of the new software. In any event, the software will be implemented no later than September 30, 2014. GPA is also exploring other opportunities to mitigate the control risk posed by this software deficiency.