

Management Letter

Chamorro Land Trust Commission
(A Governmental Fund of the Government of Guam)

Year ended September 30, 2022





Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

August 13, 2024

Management and the Board of Commissioners
Chamorro Land Trust Commission

In planning and performing our audit of the financial statements of Chamorro Land Trust Commission (the “Commission”) as of and for the year ended September 30, 2022, 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, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing our audit 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 Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’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 deficiency in internal control (as described above):

Long Outstanding Commercial Lease Receivables

Observation

As of September 30, 2022, the Commission recorded commercial lease receivables of \$1,287,713, which included delinquent lease receivables of \$1,247,835 representing 96% of total receivables for which a corresponding allowance for uncollectible accounts has been established.

Recommendation

We recommend the Commission establish internal control policies and procedures over collection of delinquent lease receivables.

Commercial Lease Revenue

Observation

During the year ended September 30, 2022, we noted that the Commission continues to bill and receive collections for the following properties with expired commercial lease agreements and without formal lease extensions:

- Lot No. 17-1-1, Block F, Tract 9, Barrigada (Annual lease rental of \$6,240)
- Lot No. 354-7, Inarajan (Annual lease rental of \$3,840)
- Lot No. 10129-3, Dededo (Annual lease rental of \$1,310)
- Lot No. 278-5, Umatac (Annual lease rental of \$1,749)
- Lot No. 102-2, Yona (Annual lease rental of \$944)
- Lot No. 7161-R1, Yigo (Annual lease rental of \$48,000)
- Lot No. 10125-R12-1, Dededo (Annual lease rental of \$836)
- Lot No. 7117-4-1, Yigo (Annual lease rental of \$4,200)
- Lot No. Lot No. 5149-6, Dededo (Annual lease rental of \$5,735)
- Lot No. 10-4, Block D, Tract 9, Barrigada (Annual lease rental of \$16,184)

Recommendation

We recommend the Commission establish internal control policies and procedures requiring the execution of new commercial lease agreements or extensions for leasing arrangements that have expired.

This communication is intended solely for the information and use of management and the Board of Commissioners 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