Management Letter

Guam Community College

Year ended September 30, 2023

Building a better working world

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May 24, 2024

Management and the 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, 2023, 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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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):

Implementation of GASB 96

Condition:
The College lacked formal procedures when assessing contracts in accordance with Subscription-Based Information Technology Arrangements (SBITA) Government Accounting Standards Board (GASB) Statement No. 96. For one of the contracts, Management included variable payments in the measurement of the subscription liability and did not consider the annual 3% increase in subscription payments and its option to extend. As of September 30, 2023, these resulted to approximately $193,000 misstatement. Management also did not calculate the right-to-use subscription asset which resulted in a misstatement of approximately $518,000 as of September 30, 2023.

Recommendation:
The Management shall ensure that appropriate training is provided and controls in place to ensure the proper adoptions of new accounting pronouncements that will become effective in future reporting periods.

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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