

June 27, 2008

Ms. Lourdes M. Perez  
Director  
Department of Administration  
Government of Guam  
P.O. Box 884  
Hagatna, GU 96910

Dear Ms. Perez:

In planning and performing our audit of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) for the year ended September 30, 2007, which collectively comprise GovGuam's basic financial statements (on which we have issued our report dated June 27, 2008 and which was modified to include a reference to other auditors); we developed the following recommendations concerning certain matters related to its internal control. Our recommendations are summarized below.

## GOVERNMENT OF GUAM

### DIVISION OF ACCOUNTS

#### 1. Reconciliations

Comment: Cash accounts per the general ledger (GL) should be supported by monthly reconciliations and reconciling items should be posted in a timely manner. Additionally, checks should be issued in sequential order both by check number and date.

1. For the following accounts, a difference exists in the amount recorded per the GL and the adjusted book balance per the bank reconciliation.

<u>GL No.</u>	<u>Account Name</u>	<u>Per GL</u>	<u>Per Bank Reconciliation</u>
110010421	Web Settlement	(\$60,963)	\$92,132

2. Checks were not issued in sequential order from the general fund checking account 110010413.

Prior Year Status: The above conditions are reiterative of a prior year finding.

Recommendation: The Department of Administration should ensure that the above account is reconciled monthly. The Department of Administration should also archive the outstanding check list at the end of each reporting period. Furthermore, checks were not issued in sequential order because of check runs by the Retirement Fund. To minimize accounting and time costs, we recommend that a separate checking account be established for Retirement Fund check issuances.

2. Supporting Sub-ledgers and Timely Reconciliations

Comment: Accounts receivable, accounts payable and deposits and other liabilities recorded in the general ledger should be supported by aged detailed sub-ledgers. Additionally, such should be reconciled in a timely manner. Furthermore, such should be maintained on file and be available.

1. Supporting accounts receivable sub-ledgers were not provided for various General Fund and Other Governmental Fund accounts.
2. At September 30, 2007, the Department of Administration recorded travel advances within general ledger account 110012120 in the amount of \$762,658. A variance of \$14,778 exists between the schedule and the general ledger. The balance was not supported by a subsidiary ledger by traveler.
3. Supporting accounts payable sub-ledgers were not provided for certain accounts.
4. Supporting deposits and other liabilities account sub-ledgers were not provided for certain accounts.
5. For the Other Governmental Funds deposit liability account (G/L 110627100), no reconciliation was performed throughout the fiscal year.

Prior Year Status: The above conditions are reiterative of a prior year finding.

Recommendation: The Department of Administration should ensure that accounts recorded in the general ledger are periodically supported by detailed sub-ledgers that are reconciled in a timely manner. Furthermore, we encourage the Department of Administration to continue to analyze the various account balances, on a quarterly basis, if possible, to ensure that accounts represent valid assets or liabilities.

3. Unclaimed Checks

Comment: Balances in the general ledger should be supported by detailed sub-ledgers that reconcile to recorded balances. Furthermore, monitoring of unclaimed checks should be performed to continue to establish their validity. For GL account number 110010117, no supporting schedule was provided for \$448,351 of unclaimed checks.

Prior Year Status: The above condition is reiterative of a prior year finding.

Recommendation: The Department of Administration should periodically ensure that this account is monitored and reconciled given associated potential fraud risk factors.

**TREASURER OF GUAM**

1. Reconciliations

Comment: Cash accounts per the general ledger (GL) should be supported by monthly reconciliations and reconciling items should be posted in a timely manner. For the following account, no reconciliation was provided.

<u>GL No.</u>	<u>Account Name</u>	<u>Amount</u>
110010110	Imprest Fund	\$ 43,109

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**TREASURER OF GUAM, CONTINUED**

Prior Year Status: The above condition is reiterative of a prior year finding.

Recommendation: The Treasurer of Guam should strengthen internal controls over ensuring monthly bank reconciliations and imprest fund reconciliations are performed and bank accounts are monitored for account validity.

**UNIFIED COURTS OF GUAM**

**1. Rental Accounts Receivables**

Comment: Rent receivables should be supported by attempted collection efforts. We were unable to verify collection attempts relating to the following lease agreements.

	<u>Balance due at</u> <u>September 30, 2007</u>
13010122 Rental A/R: AG's Office	\$3,962,312
13010121 Rental A/R: Public Defender	1,891,466

Recommendation: If receivables are recorded and remain uncollected, collection efforts should occur.

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We have communicated certain matters noted during our audit of the basic financial statements of GovGuam for the year ended September 30, 2007, which we considered to be significant deficiencies, in our report dated June 27, 2008.

This report is intended for the information and use of management of GovGuam and others within the organization.

Very truly yours,

