

*The Auditor's Communication With Those
Charged With Governance*

Guam Department of Education
(A Line Agency of the Government of Guam)

Year Ended September 30, 2022





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November 13, 2023

Guam Education Board
Guam Department of Education

We have performed an audit of the financial statements of the governmental activities and each major fund of the Guam Department of Education (GDOE), a line agency of the Government of Guam (GovGuam), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise GDOE's basic financial statements, in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated November 13, 2023.

Provided below is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *"The Auditor's Communication With Those Charged With Governance"*, and other applicable auditing standards.

This communication is intended solely for the information and use of GDOE's management, the Guam Education Board, and the Office of Public Accountability of Guam, 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.

Very truly yours,

REQUIRED COMMUNICATIONS

Auditors' Responsibilities under GAAS, including our discussion of the type of auditor's report we are issuing and the circumstances that affect the form and content of our auditor's report, if applicable

Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.

We have issued unmodified opinions on GDOE's basic financial statements as of and for the year ended September 30, 2022.

An audit of financial statements includes consideration of 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 the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the March 2023 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about GDOE's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in footnote 1 of the financial statements.

We are not aware of any significant accounting policies used by GDOE in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor GDOE's operations. These budgets include determining how existing financial resources will be used in GDOE's operations.
- Determining the assumptions used in measuring significant accounting estimates for financial accounting purposes.

Related party relationships and transactions

We noted no significant matters regarding GDOE's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by GDOE.

Difficult or contentious matters subject to consultation outside of the audit team

None.

Material corrected misstatements related to accounts and disclosures

Refer to "Management Representations Letter" in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have identified material weaknesses and significant deficiencies in the internal control during the course of our audit which have been included in our separately issued report of GDOE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, dated November 13, 2023.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with GDOE's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with GDOE or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of GDOE.
- The preparation of the financial statements is based on GDOE's trial balance with the understanding that underlying books and records are maintained by GDOE's accounting department and that the final trial balance prepared by GDOE is complete.
- GDOE's Acting Deputy Superintendent of Financial Affairs and Administrative Services and Controller have the skill set to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Appendix

A – Management Representations Letter

A – Management Representations Letter



**DEPARTMENT OF EDUCATION
OFFICE OF THE SUPERINTENDENT**

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K. ERIK SWANSON PH. D
Superintendent of Education

November 13, 2023

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Guam Department of Education (GDOE) as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of GDOE and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with US generally accepted accounting principles (US GAAP).

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.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated February 17, 2023, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding years.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

- Unrestricted access to persons within GDOE from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From October 1, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Corrected misstatements

We are in agreement with the audit adjustments you have proposed (Appendix A) and have posted the adjusting journal entries to GDOE's books.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements (including those related to supplementary information), summarized in Appendix B, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, to the extent that uncorrected misstatements (including those related to supplementary information) have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements for each opinion unit and supplementary information.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

Minutes and contracts and internal audit reports

The dates of meetings of the Guam Education Board and important management committees from October 1, 2021 to the date of this letter are as follows:

October 7, 2021	November 10, 2022
October 19, 2021	November 22, 2022
November 23, 2021	December 27, 2022
December 21, 2021	January 3, 2023
January 25, 2022	January 4, 2023
January 28, 2022	January 7, 2023
February 22, 2022	February 21, 2023
March 15, 2022	March 28, 2023
April 19, 2022	April 25, 2023
May 24, 2022	June 14, 2023
June 2, 2022	June 27, 2023
June 17, 2022	July 25, 2023
June 28, 2022	August 22, 2023
July 14, 2022	August 30, 2023
July 26, 2022	September 1, 2023
July 26, 2022	September 6, 2023
August 16, 2022	September 26, 2023
September 20, 2022	October 3, 2023
October 18, 2022	October 17, 2023

We have made available to you all minutes of the meetings of the Guam Education Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

Ownership and pledging of assets

Except for direct financing leases in accordance with GASB Statement No. 62-as amended, GDOE has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which GDOE has satisfactory title appear in the statement of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62-as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72-as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72-as amended.

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72—as amended.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

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Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of GDOE's debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 – as amended other than those disclosed in the financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in the financial statements.

A – Management Representations Letter, continued

Guam Department of Education
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There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 – as amended other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 – as amended.

There are no oral or written guarantees, including guarantees of the debt of others.

Purchase commitments

At September 30, 2022, GDOE had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that GDOE's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected GDOE (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

Independence

We have communicated to you the names of GDOE's affiliates, officers and directors, or individuals who serve in such capacity for GDOE.

We are not aware of any business relationship between the Company and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of GDOE's audit.

Conflicts of interest

There are no instances where any officer or employee of GDOE has an interest in a company with which GDOE does business that would be considered a "conflict of interest."- Such an interest would be contrary to GDOE policy.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

GDOE is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Going concern

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued, and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Pension benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

Postemployment benefits other than pensions

We have disclosed to you all significant postemployment benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the Schedules of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Total OPEB Liability, and the Schedule of OPEB Contributions, and notes thereto, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

We believe that the separate presentation of the schedule of changes in total pension liability related to GASB statement No. 73 is not significant. The required information is combined with schedules required under GASB Statement No. 68.

Supplementary and Other information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary and Other Information"):

- Statement of Revenues, Expenditures by Account and Changes in Fund Balances, Governmental Funds
- Combining Schedule of Balance Sheet Accounts, General Fund
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) Accounts
- Personnel

We believe the supplementary and other information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

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Additional representations

- We recognize that we are responsible for GDOE's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- GDOE has no component units and no joint venture with an equity interest.
- GDOE has not fiduciary activities has required by GASB Statement No. 84.
- The financial statements include all fiduciary activities as required by GASB Statement No.84.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.

A – Management Representations Letter, continued

Guam Department of Education
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- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- GDOE has no investments, derivative transactions, and land and other real estate held by endowments.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

A – Management Representations Letter, continued

Guam Department of Education
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- GDOE has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Guam or federal law.
- Money or similar assets handled by GDOE on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or not recognized through the date of this letter.
- GDOE has no asset retirement obligations associated with tangible capital assets in accordance with GASB Statement No. 83, Certain Retirement Obligations.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statements.

Other matters

We have received a draft copy of our financial statements as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

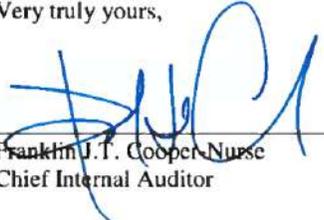
November 13, 2023

Subsequent events

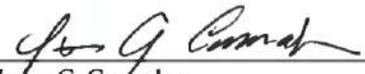
Subsequent to September 30, 2022, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to GDOE's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, and changes in financial position and, where applicable, of GDOE.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of GDOE and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Franklin J. T. Cooper-Nurse
Chief Internal Auditor



Joann G. Camacho
Deputy Superintendent of Financial Affairs and
Administrative Services



Dr. Kenneth E. Swanson
Superintendent of Education

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

APPENDIX A – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: <u>Guam Department of Education - Department-wide</u>		Period ended: <u>30-Sep-2023</u>		Currency: <u>USD</u>				
Corrected misstatements		Analysis of misstatements Debit/(Credit)						
No.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the
	(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
1 - DW	To adjust school financed purchase obligations based on amortization schedule.				8,972,784			
	School financed purchase obligations - noncurrent							
	School financed purchase obligations - current			(794,784)				
	Amortization expense							(8,143,000)
	Deferred maintenance and insurance costs		(125,000)					
2 - DW	To adjust pension related amounts based on the audited pension schedules for the measurement period ended September 30, 2021.					88,060,278		
	Net pension liability							
	Deferred outflows from pension		(27,901,324)					
	Deferred inflows from pension			(33,246,287)				
	Pension expense							(26,912,667)
3 - DW	To adjust the OPEB related amounts based on the audited OPEB schedules for the measurement period ended September 30, 2021.		17,000,000					
	Deferred outflows from OPEB				5,060,284			
	Deferred inflows from OPEB							4,735,665
	OPEB expense							
	OPEB liability			(26,803,977)				
1 - FG	To adjust Receivables from federal agencies.	1,533,798						(1,280,110)
	Receivable from federal agencies							
	Revenues - Federal grants and contributions							
	Due to other funds			(357,790)				
	Payable to federal agencies			164,102				
2 - FG	To record additional federal grant expenditures.							651,607
	Expenditures - Direct student support							
	Revenues - Federal grants and contributions							(651,607)
	Receivable from federal agencies	651,607						
	Other liabilities and accruals			(651,607)				
Total of corrected misstatements before income tax		2,185,405	(11,018,316)	(1,610,079)	42,043,082	0	0	(31,600,092)
Financial statement amounts		51,571,130	527,856,139	(55,027,046)	(1,522,163,600)	1,018,974,768		(21,211,397)
Effect of corrected misstatements on F/S amounts		4.2%	-2.1%	2.9%	-2.8%	0.0%		148.0%

Communication schedule for corrected misstatements

Entity: <u>Guam Department of Education - General Fund</u>		Period ended: <u>30-Sep-2022</u>		Currency: <u>USD</u>				
Corrected misstatements		Analysis of misstatements Debit/(Credit)						
No.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period
	(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
AJE 1	To record on-behalf payments of OPEB benefits by GovGuam for GDOE.							11,992,910
	Expenditures - Retiree healthcare benefits							
	Revenues - Appropriations							(11,992,910)
AJE 1	To adjust federal grant revenues.	357,789						(357,789)
	Due from other funds							
	Revenues - Fees and other program receipts							
Total of corrected misstatements before income		357,789	0	0	0	0	0	(357,789)
Financial statement amounts		36,575,263	0	(26,057,417)	0	(821,404)		(7,696,442)
Effect of corrected misstatements on F/S amount		1.0%	0.0%	0.0%	0.0%	0.0%		4.6%

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

APPENDIX A – Summary of Corrected Misstatements, Continued

Communication schedule for corrected misstatements

Entity: Period ended: Currency:

Corrected misstatements		Analysis of misstatements Debit/(Credit)						
No.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period
	(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
AJE 1	To adjust Receivables from federal agencies.							
	Receivable from federal agencies	1,533,796						
	Revenues - Federal grants and contributions							(1,280,110)
	Due to other funds			(357,790)				
	Payable to federal agencies			104,102				
AJE 2	To record additional federal grant expenditures.							
	Expenditures - Direct student support							651,607
	Revenues - Federal grants and contributions							(651,607)
	Receivable from federal agencies	651,607						
	Other liabilities and accruals			(651,607)				
Total of corrected misstatements before income		2,185,405	0	(905,295)	0	0	0	(1,280,110)
Financial statement amounts		40,656,580	0	(40,656,580)	0	0	0	0
Effect of corrected misstatements on F/S amounts		5.4%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

APPENDIX B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: <u>Guam Department of Education - Department-wide</u>		Period Ended: <u>30-Sep-2023</u>		Currency: <u>USD</u>					
No.	Account (Note 1)	Analysis of misstatements Debit/Credit					Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period
		Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components			
(misstatements are recorded as journal entries with a description)		Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit (Note 2)	Debit/Credit	Debit/Credit	Debit/Credit	
Factual misstatements:									
1 - DW	To correct accumulated depreciation of schools under financed purchase agreements							1,920,804	1,920,804
	Depreciation expense								
	Accumulated depreciation	(1,920,804)							
1 - GF	To record billings from DPW for bus operations services for FY2021 and FY2022 summer school programs							1,445,500	908,660
	Expenditures								
	Accounts payable			(1,445,500)					
2 - GF	To correct overstatement of accounts payable per vendor statement reconciliations								
	Accounts payable			419,889					
	Revenues							(419,889)	
Judgmental misstatements:									
1 - GF	To record permanent transfer of funds based on estimated uncollectible amounts							1,886,113	
	Transfers out								
	Due from other funds	(1,886,113)							
1 - FG	To reverse estimated uncollectible federal grant receivables							1,886,113	
	Revenues								
	Receivable from grantors							(1,886,113)	
2 - FG	To record permanent transfer of funds based on estimated uncollectible amounts								
	Due to other funds			1,886,113					
	Transfers in								(1,886,113)
Total of uncorrected misstatements		(1,886,113)	(1,920,804)	860,882		0	0	2,948,235	2,829,464
Financial statement amounts		51,571,130	527,856,139	(55,027,046)	(8,522,163,699)	1,018,974,760		(21,211,397)	0
Effect of uncorrected misstatements on FIS amounts		-3.7%	-0.4%	-1.6%	0.0%	0.0%		-13.9%	6.8%
Uncorrected misstatements								0.0%	2,948,235
Cumulative effect of uncorrected misstatements before turnaround								-13.9%	2,948,235
Turnaround effect of prior period uncorrected misstatements									
All factual and projected misstatements:									(2,829,464)
Judgmental misstatements:									
Cumulative effect of uncorrected misstatements, after turnaround effect								-0.6%	118,831
Current year income									(21,211,397)

A – Management Representations Letter, continued

Guam Department of Education
Letter of Representations

November 13, 2023

APPENDIX B – Summary of Uncorrected Misstatements, Continued

Communication schedule for uncorrected misstatements

Entity: Guam Department of Education - Federal Grants Assistance Fund Period Ended: 30-Sep-2022 Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/Credit						Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period
No.	Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small>	Assets Current <small>Debit/(Credit) (Note 2)</small>	Assets Non-current <small>Debit/(Credit) (Note 2)</small>	Liabilities Current <small>Debit/(Credit) (Note 2)</small>	Liabilities Non-current <small>Debit/(Credit) (Note 2)</small>	Equity components <small>Debit/(Credit)</small>	Debit/(Credit)			
Factual misstatements:										
Judgmental misstatements:										
1	To reverse estimated uncollectible federal grant receivables									
	Revenue							1,000,113		
	Receivable from grantors							(1,000,113)		
2	To record permanent transfer of funds based on estimated uncollectible amounts			1,000,113						
	Due to other funds									
	Transfers in							(1,000,113)		
Total of uncorrected misstatements		0	0	1,000,113	0	0	0	0	(1,000,113)	0
Financial statement amounts		48,656,580	0	(40,656,580)	0	0	0	0	0	0
Effect of uncorrected misstatements on FIS amounts		0.0%	0.0%	-4.0%	0.0%	0.0%	0.0%	0.0%	-0.0%	0.0%
Uncorrected misstatements								0.0%	(1,000,113)	0
Cumulative effect of uncorrected misstatements but before turnaround								0.0%	(1,000,113)	0
Turnaround effect of prior period uncorrected misstatements										
All factual and projected misstatements:									0	
Judgmental misstatements:									0	
Cumulative effect of uncorrected misstatements, after turnaround effect								0.0%	(1,000,113)	0
Current year income									0	

A – Management Representations Letter, continued



**DEPARTMENT OF EDUCATION
OFFICE OF THE SUPERINTENDENT**

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K. ERIK SWANSON PH. D
Superintendent of Education

November 13, 2023

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

We are providing this letter in connection with your audit of the federal award programs of the Guam Department of Education (GDOE) as of and for the year ended September 30, 2022, which was performed in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the Single Audit Act Amendments of 1996, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure and we understand that the purpose of your testing of transactions and records from GDOE's federal programs was to obtain reasonable assurance that GDOE had complied, in all material respects, with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of its major programs.

In connection with your audit, we confirm, to the best of our knowledge and belief, the following representations:

1. We acknowledge our responsibility for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
2. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each of GDOE's major federal programs.
3. We have identified and disclosed to you any changes to compliance requirements for any COVID-19 related awards.
4. We have identified and disclosed to you any compliance requirement flexibilities provided by federal grantor agencies for any existing awards not due to additional COVID-19 funding.
5. We have identified and disclosed to you any compliance requirement flexibilities provided by federal grantor agencies for existing awards due to those respective agencies' adoption of various COVID-19 related US Office of Management and Budget memoranda listed in Appendix VII of the OMB Compliance Supplement.

A – Management Representations Letter, continued

6. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
7. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
8. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
9. We acknowledge our responsibility for the design, implementation, and maintenance of internal control over compliance and have designed, implemented and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are managed in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on the federal programs.
10. We have complied in all material respects with the requirements of the Uniform Guidance including with the direct and material compliance requirements, and with federal statutes, regulations, and the terms and conditions federal awards related to each of the federal programs, except for those findings disclosed in the Schedule of Findings and Questioned Costs and/or otherwise disclosed to you.
11. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
12. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (“the Schedule”) in accordance with the Uniform Guidance, 2 CFR 200.510(b). We believe the schedule, including its form and content, is presented in accordance with the Uniform Guidance, 2 CFR 200.510(b). There have been no changes in the methods of measurement or presentation of the schedule from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the schedule. We will make the audited financial statements readily available to the intended users of the schedule no later than the date of issuance of the Schedule of Expenditures of Federal Awards and the auditor’s report thereon.
13. We acknowledge that it is our responsibility for understanding and complying with the compliance requirements related to the preparation of the Schedule. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and have included in the Schedule all expenditures made during the period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees and other noncash awards, property (including donated surplus property), cooperative agreements under the Federal Acquisition Regulations, interest subsidies, insurance, food commodities, direct appropriations and other direct assistance. The schedule is accurate and complete in all material respects, presents the information required by the Uniform Guidance, and includes all federal program expenditures made during the year ended September 30, 2022.
14. We have charged costs to federal awards in accordance with applicable cost principles.
15. Information presented in federal program financial reports and claims for advances and reimbursements are supported by the books and records from which GDOE’s financial statements have been prepared, and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards.

A – Management Representations Letter, continued

16. Amounts claimed or used for matching were determined in accordance with the applicable cost principles and administrative requirements.
17. The copies of GDOE's federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted to the federal agencies or pass-through entities, as applicable.
18. We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud affecting federal programs involving management or other employees who have a significant role in internal control over financial reporting and compliance. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the federal programs. We have disclosed to you any allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the federal program.
19. We have accurately completed the appropriate sections of the Data Collection Form.
20. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
21. The reporting package does not contain protected personally identifiable information.
22. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
23. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of this letter.
24. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the year ended September 30, 2022 to the date of this letter.
25. We have disclosed to you all known noncompliance with direct and material compliance requirements occurring subsequent to the year ended September 30, 2022.
26. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the year ended September 30, 2022.
27. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the year ended September 30, 2022.
28. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

A – Management Representations Letter, continued

29. We have issued management decisions for any audit findings that relate to federal awards we make to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse.
30. We have followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from us in our capacity as the pass-through entity.
31. We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
32. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
33. We have developed a corrective action plan that meets the requirements of the Uniform Guidance and addresses each of the findings reported in the Schedule of Findings and Questioned Costs.
34. From October 1, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on a major federal program, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
35. We have communicated to you the names of all of GDOE's affiliates, officers and directors, or individuals who serve in such capacity for the GDOE.
36. We are not aware of any business relationship between GDOE and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.
37. We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of GDOE's audit.
38. We have disclosed to you all contracts or other agreements with service organizations. There have been no communications from the service organizations relating to noncompliance at the service organizations.

In connection with your audit, we also confirm, to the best of our knowledge and belief, the following representations related to any findings included in the Schedule of Findings and Questioned Costs:

39. We have resolved any audit findings and recommendations directed to us and have a process to track their status.
40. We have taken timely and appropriate steps to remedy fraud, noncompliance with federal statutes, regulations, the terms and conditions of federal awards or abuse that you have reported.
41. We have provided views on your reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

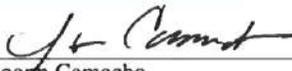
A – Management Representations Letter, continued

We understand that your audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the Single Audit Act Amendments of 1996, and the audit requirements of the Uniform Guidance and, and was, therefore, designed for the purpose of obtaining reasonable assurance about whether the Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the financial statements taken as a whole and whether GDOE had complied, in all material respects, with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each major federal program. Accordingly, we understand that your tests of the accounting and federal program records and other auditing procedures were limited to those that you considered necessary for those purposes.

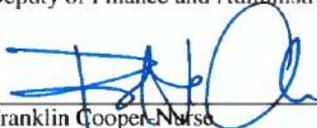
Very truly yours,



Dr. Kenneth E. Swanson
Superintendent of Education



Joann Camacho
Deputy of Finance and Administrative Services



Franklin Cooper-Nurse
Chief Internal Auditor



Christine Rosario
Acting Federal Programs Administrator



Thomas Babauta
Assistant Superintendent of Special Education