Management Letter

Mount Carmel Academy Charter School
(A Non-Profit Organization)

For the year ended September 30, 2024

Building a better working world

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 22, 2025

Board of Trustees
Mount Carmel Academy Charter School

In planning and performing our audit of the financial statements of the Mount Carmel Academy Charter School (the Academy) as of and for the year ended September 30, 2024, 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 its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 other matters that should be brought to your attention:

Capital Assets

Condition:

During our examination of capital expenditures, we noted that the Academy does not have established written policies and procedures regarding asset capitalization. All capital expenditures are recorded as expenses when incurred.

Recommendation:

We recommend the Academy establish written policies and procedures regarding asset capitalization which include the following key components:

1. Capitalization Threshold: Define a clear capitalization threshold to determine which expenditures should be classified as capital assets versus operating expenses.

2. Depreciation Methodology: Implement a systematic approach for depreciating capital assets over their estimated useful lives. This could include methods such as straight-line or declining balance depreciation.

3. Capital Asset Register: Maintain a detailed capital asset register that includes information such as acquisition date, cost, useful life, and accumulated depreciation. This will facilitate better tracking and management of assets.

4. Regular Review: Conduct regular reviews of capital assets to ensure that the policy is being followed and to assess the condition and value of the assets.

Payroll Accrual

Condition:

During our examination of payroll, we noted that payroll for pay period 09/16/2024 through 09/30/2024 with pay date 10/04/2024 was not accrued.

Recommendation:

We recommend the Academy establish internal control policies and procedures requiring accrual of expenses when incurred.

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This communication is intended solely for the information and use of the Academy's management and the Board of Trustees, others within the organization, and the 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.

Sincerely,

Ernst + Young LLP