

Management Letter

Guam Power Authority
(A Component Unit of the Government of Guam)

Year Ended September 30, 2025



**Shape the future
with confidence**



May 29, 2026

Management and Consolidated Commission on Utilities
Guam Power Authority

In planning and performing our audit of the financial statements of Guam Power Authority (GPA or the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2025, 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 identified deficiency and other matters that we wish to bring to your attention.

Deficiency

1. General IT Controls - Untimely Removal of System Access of Separated Employees

Condition:

Two (2) out of Six (6) sampled users have system access untimely disabled beyond the employee's separation date. One employee had the access terminated the following business day after his termination date, however, the account was related to a system administrator account, thus there is higher risk of access being left active beyond termination date. The other account pertains to an employee who passed away whose access termination was not processed. His account was left active until system expiration date of September 30, 2025. The two employees are as follows:

Employee ID	Position	Termination Date	Access Termination Date
32043	Help Desk Technician	10/18/2024	10/21/2024
08004	Buyer II	11/18/2024	09/30/2025

Deficiency, continued

1. General IT Controls - Untimely Removal of System Access of Separated Employees, continued

Recommendation:

We recommend that management reviews policies and procedures to ensure timely termination of user access.

Other Matters

2. Noncompliance to Bond's Working Capital Fund Requirement

Condition:

The Authority maintains a Working Capital Fund pursuant to the Senior Indenture, which is required to be funded in an amount equal to 1/12th of the aggregate amount of Maintenance and Operating Expenses, including fuel costs, budgeted to be paid from Revenues during the then-current Fiscal Year. At September 30, 2025, working capital fund fell short from the required minimum balance.

Recommendation:

We recommend that GPA management timely address working capital fund requirement.

3. SEFA Preparation and Reporting

Condition:

Below are the observations on the Authority's preparation of the Schedule of Expenditures of Federal Awards (SEFA).

1. The Authority improperly included the cost share portion for two federal awards.
2. The Authority did not properly identify two federal awards received as a subrecipient.
3. The Authority did not record some expenditures in accordance with its elected policy of accrual basis of accounting and in consideration of the federal award date, specifically on Assistance Listing No. 97.036 Disaster Grants – Public Assistance.

Other Matters, continued

3. SEFA Preparation and Reporting, continued

Recommendation:

We recommend the Authority prepare the SEFA in accordance with the requirements of the Uniform Guidance as follows:

1. The SEFA must include the total federal awards expended for each individual federal program.
2. The SEFA must include the name of the pass-through entity and the identifying number assigned by the pass-through entity for federal awards received as a subrecipient.
3. The basis for determining when award is expended is when the expenditure or expense transactions occur.

We also recommend that the Authority monitor project applications (PA) used by the Federal Emergency Management Agency (FEMA) and regularly check the Grants Portal to verify FEMA's approval of the PA. Such approval is the indication that FEMA obligated the federal share of the eligible project cost to the recipient.

This communication is intended solely for the information and use of the Consolidated Commission on Utilities, management of the Authority, 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