

May 23, 2005

Consolidated Commission on Utilities:

In planning and performing our audit of the financial statements Guam Power Authority (GPA) for the year ended September 30, 2004, on which we have issued our report dated May 23, 2005, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding No. 1 – Bank Reconciliations

Criteria: Reconciling items on bank reconciliations should be promptly researched and resolved.

Condition: Transactions occurring in the bank statement are not being promptly recorded in the books. Bank reconciliations at September 30, 2004 included deposits in bank but not in the books of \$60,046 and net unrecorded returned checks and debit memos of \$4,914 that were in excess of six months old.

Cause: Timely follow-up of outstanding items on bank reconciliations does not always occur.

Effect: While no known material effect on the financial statements results from this condition, the propriety of the underlying account balance may be questioned.

Recommendation: Reconciling items on bank reconciliations, other than outstanding checks, should be researched and promptly corrected by GPA or the bank. Dated items should be addressed with the bank and adjusted in GPA's financial records as necessary.

Auditee Response: GPA concurs with the finding.

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This report is intended solely for the information and use of the Consolidated Commission on Utilities, the management of Guam Power Authority and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of GPA during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

