

*Management Letter*

**Guam Educational Telecommunications Corporation**  
(A Component Unit of the Government of Guam)

*Year ended September 30, 2021*



March 10, 2022

Management and the Board of Trustees  
Guam Educational Telecommunications Corporation

In planning and performing our audit of the financial statements of the Guam Educational Telecommunications Corporation (PBS Guam) as of and for the year ended September 30, 2021, 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 PBS Guam's internal control. Accordingly, we do not express an opinion on the effectiveness of PBS Guam'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 deficiency in internal control (as described above):

***Deficiency***

**Maintenance of Fixed Assets Register and Accounting of Capital Assets**

***Observation:***

During our testing of the fixed assets, we noted the following:

- Numerous fixed assets are not sufficiently described in the register.
- Numerous fixed assets less than the capitalization threshold of \$1,000 were capitalized.
- Additional cost of assets such as installation and shipping are listed as separate fixed assets.
- Three (3) fixed assets have accumulated depreciation with unusual debit balances.
- Three (3) fixed assets' accumulated depreciation have significant differences compared to our independent recalculation. Pro-rated depreciation expenses were calculated at the initial year of service of these fixed assets and were used for subsequent periods.

**Maintenance of Fixed Assets Register and Accounting of Capital Assets,  
continued**

*Recommendation:*

We recommend that management:

- Input sufficient descriptions of each of the items in the fixed assets register.
- Include cost of placing an asset into service into the cost of the underlying asset.
- Periodically review the fixed assets register for propriety of calculations and balances.

*Other Matter*

**Participation of PBS Guam Employees in the Guam Retirement Fund**

*Observation:*

12 Guam Code Annotated (GCA) Section 3117 states that Employees of PBS Guam shall be members of the Government of Guam Retirement Fund unless they are contract employees. The aforementioned GCA did not define the term contract employee. On September 30, 2021, PBS Guam management executed personnel actions that categorized PBS Guam employees whose salaries and benefits are paid with grants from the Corporation for Public Broadcasting as contract employees. Contract employees are not treated as independent contractors.

*Recommendation:*

The term contract employee has typically meant an independent contractor relationship. However, as the definition of a contract employee is not clearly defined in the GCA, we recommend that PBS Guam obtain legal opinion on what constitutes as a contract employee under the related GCA and if the aforementioned employees qualify for participation in the Guam Retirement Fund.

\*\*\*\*\*

This communication is intended solely for the information and use of management, the Board of Trustees and others within PBS Guam 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.

Very truly yours,

*Ernst + Young LLP*