

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees
Guam Educational Telecommunications Corporation:

We have audited the accompanying financial statements of the Guam Educational Telecommunications Corporation (KGTF), as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 3, 2003. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. This item is described as item No. 1 in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guam Educational Telecommunications Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter, which are presented below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to

record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as item No. 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management and Board of Directors of the Guam Educational Telecommunications Corporation and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Buena & Comer, P.C.

February 3, 2003

GUAM EDUCATIONAL TELECOMMUNICATIONS CORPORATION
(A Public Corporation)

Schedule of Findings

September 30, 2002

Finding No. 1

Criteria Article IV of the GETC bylaws indicate that the Board of Trustees are to meet in a regular session at least once a month at a time and place designated by the chairman.

Condition Only five board meetings were held during the fiscal year ended September 30, 2002.

Cause Lack of quorum due to expired terms of various board members.

Effect No approval or ratification of management actions and activities.

Recommendation Petition the Governor of Guam to appoint the seven board members and obtain the advice and consent of the Legislature on these appointments.

Auditee response and corrective action plan Management has informed the chairman of the Legislature's committee on education about the lack of a seven member Board of Trustees since 2001. A concern was also transmitted to the Governor's office at the time. We also expressed our concerns to the transition team that visited our office. We have also stated that same concerns on my monthly cabinet meeting report to the Governor and Lieutenant Governor of the new administration.

We have gathered a list of interested people wanting to become board members and submitted those names to the Governor's office for his review.

Finding No. 2

Criteria The use of purchase orders should be governed by established policies.

Condition Purchase orders are currently being used in an inconsistent manner. It is not readily determinable when purchase orders should be used.

Cause Established procedures do not specifically address the types of transactions requiring purchase orders. Furthermore, current procedures do not contain stratified dollar value limits for authorizations.

Effect Purchases may occur prior to obtaining the proper authorization.

Recommendation Amend existing policies to indicate which purchases require the use of purchase orders and which do not. For example, monthly recurring expenses such as

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Schedule of Findings, continued

September 30, 2002

trash collection may not require the use of a purchase order, while management may decide that all other purchases in excess of \$100 will require their use. Policies should state dollar value approval limits for authorization.

Prior year status This finding appears as finding No. 2 in the fiscal year 2001 report.

Auditee response and corrective action plan The Board of Trustees establishes policies. We do not have a Board of Trustees in place. This should be a concern of the present administration to expedite action by appointing nominees to fill board vacancies. With a Board in place, purchase orders and other business can be easily addressed.