BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Government of Guam Retirement Fund

In planning and performing our audit of the financial statements of the Government of Guam Retirement Fund (the "Fund"), a component unit of the Government of Guam, administered by the Government of Guam Retirement Fund Board of Trustees (the "Board"), as of and for the year ended September 30, 2024 we considered Fund's internal control over financial reporting 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 its internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A separate report dated June 24, 2025 contains our report on reportable conditions in its internal control. This letter does not affect our report dated June 24, 2025, on the financial statements of the Government of Guam Retirement Fund.

The following comments and recommendations are intended solely for the information and use of the Board of Trustees, management, and others within the organization and should not be used by anyone other than these specified parties.

Loss of Funds

Observation

During the year ended September 30, 2024 an incident occurred that resulted in a cash loss of approximately $309,000. Our understanding of the situation is that a "hacker" obtained account login information for the GGRF staff who initiates online payments for certain payroll related items each pay period.

Saipan Office
Suite 203 MH II Building
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office
333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office
PO Box 1266
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

This person usually initiates only two transactions each pay period, and the amounts of the transactions are fairly consistent from period to period. There is a dollar limit, which, if exceeded, will prompt a verification telephone call from the bank.

The hacker attempted to transfer an amount over this limit, but it required hacker to request a call back from the Bank, so the hacker cancelled the transaction. The hacker then tried again, with a lesser dollar amount and the transaction was processed by the bank because it did not require a call back. Once the hacker understood the dollar limit, additional transactions were processed to individuals/entities with off-island accounts. Some of these transactions were initiated well outside of working hours, including on weekends.

The fact that the transfers did not fit an established pattern that was in place for several years (two transactions each pay period, for roughly the same amounts, during normal working hours) should have triggered more immediate scrutiny by the bank. GGRF management did contact their bank, as well as local and Federal law enforcement agencies, and was able to recover about $69,000 of the approximate $378,000 that was taken from GGRF's bank account and distributed to various individuals outside of Guam.

Recommendation:

The setup and operation of the system is not the issue. The issue is that a criminal gained access to GGRF's login information. One of the GGRF staff responded to a "phishing" email, and this gave the hacker access to the GGRF employee's login information. One way to protect against this would be to refrain from storing login information in the computer. If you are prompted to save your login information, just select or type in "No".

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GGRF along with their Bank and Information Technology provider have added additional layers of security to mitigate a recurrence.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Fund personnel, and we will be pleased to discuss them in further detail at your convenience.

Bruger Comer & Associates

Tamuning, Guam
June 24, 2025