

March 30, 2019

Ms. Pilar Laguana
General Manager
Guam Visitors Bureau
401 Pale San Vitores Road
Tumon, Guam 96913

Dear Ms. Laguana:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects as of and for the year ended September 30, 2018 (on which we have issued our report dated March 30, 2019), 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, we considered GVB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to GVB's internal control over financial reporting and other matters as of September 30, 2018 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated March 30, 2019, on our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The definition of a deficiency is also set forth in the attached Appendix I.

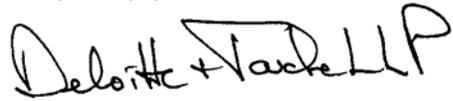
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of GVB for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, flowing style.

SECTION I – DEFICIENCIES

We identified the following deficiencies involving GVB’s internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention:

1. Agent Contracts

Contracts should specify services covered by agent fees. GVB should monitor agent produced events, such as ticket sales, sponsorships, in-kind donations and resolution of unissued tickets.

Agent services and fees exceeding agreed amounts were invoiced to GVB. The underlying contract contained no provision for this eventuality and therefore, the manner in which final resolution occurred may not be predicated by the underlying agreement.

Prior Year Status: The above condition was identified as a deficiency in prior year audits.

Recommendation: We recommend contracts clarify the approval process for billings in excess of stated contract prices.

2. Revenues

Comment: Collections should be monitored through pre-numbered cash receipts to ascertain that all cash collections are reported and timely deposited.

- a) A bank deposit dated 10/05/18 included collections received between 09/25/18 through 09/28/18 totaling \$19,900.
- b) Approximately 178 receipts were not accounted for during FY2018. Receipts were subsequently identified to include \$700.75 of cash and checks that were not deposited or receipts that were refunded.

Prior Year Status: The above condition was identified as a deficiency in prior year audits.

Recommendation: We recommend GVB implement controls to ascertain that all collections received are deposited timely to the bank.

3. Sponsorship

Comment 1: A \$90,000 sponsorship was paid to a vendor; however, documented Board approval was not available.

Comment 2: A \$150,297 sponsorship was paid to a vendor; however, documented Board approval was not available.

Per 12 GCA Chapter 9 § 9111. Contracts and Purchases.
The Bureau will always seek the most reasonable prices for services and products needed, giving due consideration to the urgency of the requirement. Purchase orders or letters of authorization will be executed by the General Manager for needed products or provisions, pursuant to the current budget. Such purchase orders or letter of authorization for expenditures in excess of One Thousand Dollars (\$1,000) except salaries shall require prior approval by the Board of Directors.

Prior Year Status: The above condition was identified as a deficiency in prior year audits.

Recommendation: We recommend GVB document Board and committee approval for sponsorships in accordance with existing legal requirements.

SECTION I – DEFICIENCIES, CONTINUED

4. In-kind Donations

Comment 1: No in-kind donations and related expenses were reported in FY2018. A subsequent post-closing adjustment was recorded to report \$1,253,600 of in-kind donations.

Comment 2: For five in-kind donations examined, totaling \$718,040, GVB did not acknowledge receipt of the donations.

Prior Year Status: The above condition was identified as a deficiency in the prior year audit.

Recommendation: We recommend GVB strengthen controls requiring all in-kind donations provided to GVB be recorded and be supported by an acknowledged receipt from both parties.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

GVB's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.