

**GUAM VISITORS BUREAU
(A PUBLIC CORPORATION)**

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND INTERNAL CONTROL**

YEAR ENDED SEPTEMBER 30, 2000



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Guam Visitors Bureau:

We have audited the financial statements of the Guam Visitors Bureau (GVB), as of September 30, 2000, and for the year then ended, and have issued our report thereon dated April 30, 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 GVB's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GVB'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of GVB in a separate letter dated April 30, 2003.

This report is intended for the information of Board of Directors and management of GVB, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte + Touche LLP

April 30, 2003

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April 30, 2003

The Board of Directors
Guam Visitors Bureau:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) for the year ended September 30, 2000, on which we have issued our report dated April 30, 2003, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding Number 1 – Expenses

Criteria:

Expenses should be supported by purchase orders.

Condition:

In 3 out of 73 transactions tested, a purchase order supporting the transaction was not located.

	<u>Check No/Ref No.</u>	<u>Check Date</u>	<u>Chk Amt</u>
1	B75#99-12M14	5/31/00	\$ 374,384.63
2	B75#00-1M-1	5/31/00	\$ 549,999.45
3	B75#00-4M-9	5/31/00	\$ <u>99,999.90</u>
		Total	\$ <u>1,024,383.98</u>

Cause:

The cause of this condition is unknown. However, payments were supported by other encumbrance documents (i.e. contracts). Therefore, while GVB policy requires that a purchase order be used, such appears duplicative and therefore, may not need to be utilized.

Effect:

It is possible that amounts recorded as expenses may be overstated due to the absence of documentary evidence.

Recommendation:

Appropriate management should review all requests for payment, noting the proper purchase order number, before issuing any vendor payments. Additionally, GVB should review its encumbrance policy and determine the rationale for requiring purchase orders to be used when processing contract based payments.

Finding Number 2 – Expenses

Criteria:

Purchase orders should be retained and filed in an appropriate manner.

Condition:

The purchase order for the following transaction was not located.

<u>PO #</u>	<u>Check No.</u>	<u>Check Date</u>	<u>Check Amount</u>
3872	01248	3/23/00	\$ 10,388.99

Cause:

The cause of this condition is unknown.

Effect:

It is possible that amounts recorded as expenses may be overstated due to the absence of documentary evidence.

Recommendation:

GVB should maintain detailed supporting documentation (i.e. purchase orders) to support expense transactions.

Finding Number 3 – Expenses

Criteria:

Expenses should not be accrued unless a liability has been incurred.

Condition:

The following 6 out of 73 transactions tested had been expensed and accrued at year end. However, these expenses were not substantiated by invoices because no liability has been incurred for such amounts.

<u>Description</u>	<u>Ref No.</u>	<u>Date</u>	<u>Amount</u>
1 Travel Agent Brochure Support	B#140FY00 CF	9/30/00	\$ 134,605.11
2 Spring Campaign '2000	B#140FY00 CF	9/30/00	\$ 2,167,630.00
3 Jata Congress	B#140FY00 CF	9/30/00	\$ 34,490.14
4 Summer Campaign	B#140FY00 CF	9/30/00	\$ 24,402.94
5 Millenium Bell Event	B#140FY00 CF	9/30/00	\$ 237,728.06
6 Cultural Presnt"N-Japan	B#140FY00 CF	9/30/00	\$ 26,439.88
		Total	\$ <u>2,625,296.13</u>

Finding Number 3 – Expenses, Continued

Cause:

The cause of this condition appears to be inappropriate recording of encumbrances.

Effect:

An overstatement of expenses and liabilities existed at year end, prior to correction occurring through the audit process.

Recommendation:

GVB should encumber funds by recording a reserve of retained earnings.

Finding Number 4 – In-Kind Contributions

Criteria:

In-kind contributions should be supported by proper documentation.

Condition:

The following contributions were not supported by in-kind contribution forms.

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Japan	Tokyo Y137,600	\$15,726
Japan	Sendai Y149,000	\$34,057
Japan	Tokyo Y131,000	\$14,971
Japan	Tokyo Y135,000	\$15,429
Research	Focus Group Study & Fieldwork Only	\$16,940

Cause:

The cause of this condition is unknown.

Effect:

It is possible that amounts recorded as in-kind contributions may be overstated due to the absence of documentary evidence.

Recommendation:

GVB should maintain detailed supporting documentation (i.e. in-kind contribution forms) to support in-kind contributions.

Finding Number 5 – Non-Payroll Expenditures

Criteria:

GVB should expense amounts in the proper account classification.

Condition:

It appears that GVB is classifying professional fees as consumption tax expense and classifying consumption tax expense as other various Japan expenses.

Cause:

The reason for this condition appears to be due to misinterpretation of amounts on invoices; invoice and tax amounts are not segregated and classified separately.

Effect:

Consumption tax expense, professional fee and Japan expenses may be over or under recorded.

Recommendation:

GVB should thoroughly review invoices and properly classify expenses.

Finding Number 6 – Credit Card Charges

Criteria:

Credit card expenses should be properly recorded and all receipts should be provided.

Condition:

For one credit card expense tested, the total charge, inclusive of credit card finance charges, was inappropriately recorded as an operational expense.

Also, all charges, other than finance charges were due to purchases made in fiscal year 1999. Therefore, the charges were inappropriately recorded in this fiscal period.

Furthermore, receipts for the following credit card expense tested were not located. However, an affidavit explaining the transaction was subsequently prepared and provided us.

Period of credit card use 5/99	Receipts not found \$1,051.33
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Cause:

The cause of this condition appears to be the absence of enforcement of GVB credit card policy.

Finding Number 6 – Credit Card Charges, Continued

Effect:

Operational expenses are overstated by the amount that should have been recorded as finance charges. Additionally, an immaterial cut off concern results from this matter.

Recommendation:

Appropriate management should review all payment requests, noting the proper account number and period to which the expense should be recorded.

Finding Number 7 – Credit Card Charges

Criteria:

GVB should maintain accurate records of personal charges made on credit cards.

Condition:

For one credit card expense tested, a charge of \$122.77 was deemed to be personal charges and therefore was not paid by GVB.

However, this amount was left unpaid and finance charges accumulated for several months. Ultimately, GVB received payment from the employee.

Cause:

The cause of this condition appears to be the absence of enforcement of GVB policy of credit card use.

Effect:

Expenses can be overstated due to the payment of personal charges and accumulated finance charges.

Recommendation:

Designated management should maintain records of personal charges made on credit cards and the status of the payments.

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This report is intended solely for the information and use of Board of Directors and management of the Guam Visitors Bureau.

We wish to express our appreciation for the cooperation of the staff and management of GVB 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,

