

Management Letter

Guam Visitors Bureau
(A Component Unit of the Government of Guam)

Year Ended September 30, 2023



May 8, 2024

Management and the Board of Directors
Guam Visitors Bureau

In planning and performing our audit of the financial statements of the Guam Visitors Bureau (GVB) as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in the *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 GVB's internal control. Accordingly, we do not express an opinion on the effectiveness of GVB'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) related to the operations of GVB:

1. Tourism Assistance Program (TAP)

Comment 1: In accordance with the TAP Grant Applications Memorandum dated June 14, 2023:

- Applicants must meet the eligible criteria of being a local tourism-related business, reopen on or before July 15, 2023, business is directly related to or in support of international and military guests visiting Guam and can provide evidence of economic hardship or evidence of damage associated with Typhoon Mawar.
- Applications are required to submit a TAP application, Guam business license, W-9, latest tax filing, serf certification and a GVB vendor registration form.
- Grant awards range by tier from \$2,500 to \$25,000 based on annual revenue reported on the latest tax file. The GVB President may amend the grant award based on the amount deemed necessary to provide aid to the eligible applicant.

- GVB shall notify the applicant in writing of the approval or denial of their application. The letter shall be approved and signed by the GVB President.
 - A) For 6 of 15 (or 40%) TAP transactions tested, awards were disbursed prior to the receipt of required documents.
 - B) For denied applicants, no denial letters were available for examination.

Comment 2: On a letter dated September 8, 2023, awardees were requested to submit proof of business operations. As of March 25, 2024, requested information was not available for 10 of 15 (or 67%) of TAP recipients tested. No deadline or requirement to submit proof that businesses were in operation on or before July 15, 2023, was noted on the award letter.

Comment 3: GVB did not document the formal determination and approval for awards granted outside the tier thresholds.

Recommendation: GVB should comply with the TAP Grant Applications Memorandum dated June 14, 2023, and disburse awards when all required documentation is submitted. Additionally, denied applications should be followed with a denial letter and stated rationale. GVB should design and implement a strict after-action plan to determine program objectives are met. Furthermore, GVB should implement and document the formal determination and approval when awards are outside the tier thresholds.

2. Other Grants and Sponsorships

Comment: GVB does not have written policies and procedures or an application process to award grants and sponsorships. The grants and sponsorships should also document justification how such activities or events meet the mission of GVB.

- a) For 3 of 12 (or 25%) sponsorship disbursements totaling \$110,500, GVB issued checks to an organization that did not request for the funds.
- b) For 2 of 12 (or 17%) sponsorship disbursements, GVB issued checks to two different entities for the same event. Total sponsorship for the same event was \$16,000.
- c) Two days after an event occurred, a sponsorship invoice was received by GVB for \$75,000. No letter of request or application for sponsorship was available for examination prior to the event.

Recommendation: GVB should design and implement a process for the application of grants and sponsorship requests. This should include guidelines for submission, evaluation, approval and follow-up monitoring. Additionally, application or letter should also include how such will fulfill the mission GVB. Furthermore, GVB should issue checks to the organization requesting sponsorships or grants.

3. Non-Employee Travel

Comment 1: In accordance with Public Law (PL) 36-107, Chapter XIII, Part II, Section 17, a quarterly report of all off-island government travel that is publicly funded during fiscal year 2023 should be submitted to the Speaker of the Legislature and shall include, name of traveler, source of funds, purpose and cost of the travel, and reports from the travelers highlighting the impact the information gathered at the conference or meeting has on the agency and how the information acquired will be beneficial to the agency's function. GVB did not comply with the reporting requirements of PL 36-107, Chapter XIII, Part II, Section 17. Quarterly reports did not include all required information such as funding source and reports from traveler(s) highlighting the impact and how such benefits the agency.

Comment 2: In accordance with Government Travel Law 5 GCA Chapter 23, §23112 and GVB's Travel and Transportation Standard Operating Procedures and Policy, GVB-FA-004 Section 3(e), a "justification statement" report should be published on GVB's website explaining why a non-employee was required to travel at GVB's expense. GVB did not comply with Government Travel Law 5 GCA Chapter 23, §23112 and GVB's Travel and Transportation Standard Operating Procedures and Policy.

Recommendation: We recommend GVB comply with reporting requirements specified in PL 36-107, Chapter XIII, Part II, Section 17, GVB's Travel and Transportation Standard Operating Procedures and Policy, and Government Travel Law 5 GCA Chapter 23, §23112.

4. Compensatory Time-Off (CTO) for Non-Exempt Employees

Comment: In accordance with Section 8.3 of GVB's Personnel Policies and Guidelines, to the extent allowed by law, CTO must be a mutual agreement between the employee and management before any work is performed. The number of hours of overtime work shall be converted to compensatory time credit at the rate of 1.5 hours for each hour of overtime worked. An employee who has requested the use of compensatory time off shall be permitted to use such time not later than the pay period immediately following the period during which the overtime was worked. An employee can accumulate the maximum of 80 compensatory time credits.

- a) Eight exempt employees accrued compensatory time off hours and were not entitled to overtime pay.
- b) No document was available to support a mutual agreement between the non-exempt employee and management for CTO earned prior to performing the work.
- c) Overtime hours on Sundays are calculated at a rate of 2 CTO hours rather than the 1.5 CTO hours for each overtime hour worked.
- d) CTO was utilized outside the allowed timeframe.
- e) Certain employees accumulated in excess of the maximum allowed 80 hours.

Recommendation: GVB should implement internal controls to comply with Section 8.3 of GVB's Personnel Policies and Guidelines.

5. Country Manager Contracts

Comment: A Philippine Country Manager was contracted at \$4,500 a month as of January 2023 to fiscal year 2025. No information was available to determine how services were competitively procured.

Recommendation: GVB should consider provisions of the Government of Guam laws, policies, rules and regulations, or consult with legal counsel to determine compliance with procuring services for an out-of-country marketing manager (C23026).

6. Procurement

Comment 1: GVB contracted a vendor to provide full agency services, to include marketing and communications expertise, creative development, account management, media planning, procurement and analysis, stakeholder communications and execution of approved projects. Vendor is paid a monthly retainer fee of \$4,200 plus reimbursements to cover expenses to execute services. For two task orders examined, the vendor was paid on a reimbursement basis totaling \$196,700 for which no procurement documents were available to determine compliance with local procurement laws and regulations.

Task Order Description:

Task Order 9-Construction of village metal displays for Inalahan, Malesso, Humatak and Hagat
Task Order 13-Construction of village metal displays for Asan, Talofoto, Ypao and Agatna

Recommendation: GVB should determine compliance with procurement policies and regulations before approving reimbursement to a contracted third-party vendor to organize or perform services on behalf of GVB.

7. IT User Access Management

Comment: No review of privileged access rights of individuals was performed during FY2023.

Recommendation: GVB should include a policy that at minimum, a quarterly review of access rights of individuals is performed.

8. Cultural and Sports Ambassador Grants

Comment: In accordance with the Destination Development and Management Program requirements and as stated on the Grants-In-Aid Information Packets for the Sports & Cultural Ambassador Program, the final 25% of the grant award will be made upon approval by GVB of the Final Project Report.

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Grant #130 was paid the remaining 25% without completing the Final Project Report. Per evaluation criteria 3, report must include (1) airline boarding passes; (2) even photos/media exposure; and (3) final paid invoice as provided by the airline vendor or travel agency used to procure travel (AP3836 & AP3892).

Recommendation: GVB should process the cultural and sports ambassador grants in accordance with the stated requirements.

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

We would be please to discuss the above matter or to respond to any questions, at your convenience.

Ernst + Young LLP