



Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning, GU 96913-3973  
USA  
Tel: (671)646-3884  
Fax: (671)649-4932  
www.deloitte.com

August 8, 2014

Mayor Joana Margaret C. Blas  
Municipality of Asan-Maina

Dear Mayor Blas:

In planning and performing our audit of the financial statements of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) as of and for the year ended September 30, 2013 (on which we have issued our report dated August 8, 2014), 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 the Fund'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 the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 the Asan-Maina Mayor's Office Non-Appropriated Fund's internal control over financial reporting as of September 30, 2013 that we wish to bring to your attention.

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.

The Asan-Maina Mayor's Office's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Asan-Maina Mayor's Office's responses, and accordingly we express no opinion on the responses.

This report is intended solely for the information and use of the Mayors' Council of Guam, management, 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. However, this report is also a matter of public record.

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 the Asan-Maina Mayor's Office for their cooperation and assistance during the course of this engagement.

Very truly yours,

## SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving the Asan-Maina Mayor's Office Non-Appropriated Fund's internal control over financial reporting as of September 30, 2013 that we wish to bring to your attention:

### 1. Monitoring of Non-profit Organizations

The Asan-Maina Mayor's Office has implemented policies and procedures to determine whether non-profit organizations utilizing its facilities are in compliance with Department of Revenue and Taxation filings; however, these policies and procedures have not been reduced to writing.

We recommend that written policies and procedures to monitor non-profit organizations utilizing the Asan-Maina Mayor's Office's facilities be prepared.

Auditee Response: Standard Operating Procedures have been implemented subsequent to fiscal year 2013 and reviewed monthly by the Administrative Assistant and the Municipal Planning Council Treasurer.

### 2. Compliance with Applicable Procurement Rules and Regulations

Disbursements from non-appropriated funds (NAF) were not subjected to procurement procedures due to the absence of formal procurement rules and regulations governing NAF. The Mayors' Council of Guam has established a Task Force to research and clarify procurement regulations applicable to NAF. Currently, the Task Force is in the process of developing a uniform procurement policy.

We recommend the Asan-Maina Mayor's Office continue to coordinate with the Mayors' Council of Guam in its initiative to develop a procurement policy governing NAF that will be consistently and uniformly used by all the nineteen districts.

Auditee Response: The Asan-Maina Mayor's Office will coordinate with the Mayors' Council of Guam to apply all procurement policy used by all nineteen districts.

### 3. NAF Ledger

A ledger was not consistently maintained for NAF transactions during fiscal year 2013; however, this was subsequently corrected by the Asan-Maina Mayor's Office.

We recommend that timely recording (i.e. daily, weekly, monthly, etc.) of NAF transactions be enforced.

Auditee Response: NAF ledger was implemented middle of fiscal year 2013.

### 4. Receipts

The following were noted from our tests of receipt transactions:

- a. The deposit slip for a \$200 item (receipt #391225) was not provided.

We recommend that deposit slips be on file.

**SECTION I –DEFICIENCIES, CONTINUED**

4. Receipts, Continued

- b. Eighteen (18) receipts totaling \$1,100 could not be traced to bank statements. It is not evident whether these funds were deposited.

We recommend that all cash received be deposited.

- c. Nine (9) receipts totaling \$1,375 were deposited over 15 days after receipt date.

We recommend that receipts be timely deposited.

Auditee Response:

- a. The \$200.00 was received but not deposited as it was used as petty cash to purchase last minute items for the “Appreciation Nite” event.
- b. A check and balance was not implemented for receipts and deposits at that time. The Asan-Maina Mayor’s Office will make sure that all receipts of funds be supported by a deposit slip and be deposited on a weekly basis.
- c. Standard Operating Procedures have been established to ensure check and balance.

5. Disbursements

The following were noted from 2 disbursement transactions tested:

- a. Supporting invoices for \$3,600 in total charges related to a \$5,000 disbursement (ref. check #62013) were not provided.
- b. Both disbursements (check #62013 for \$5,000 and check #12 for \$1,000) were made payable to “Cash.”

Further, details (i.e. payee, description, etc.) were not available for 7 disbursements totaling \$1,042. As such, the nature of these disbursements could not be verified.

We recommend that disbursements be supported by invoices, billings and other relevant documents. Further, we recommend that disbursements payable to “Cash” not be utilized to the extent possible.

Auditee Response: The Asan-Maina Mayor’s Office has established Standard Operating Procedures to ensure that supporting documents are in place for all disbursements. The above checks were issued by the Mayors’ Council of Guam and deposited to our account. We then issued a check to “Cash” for petty cash purposes and were used for our Liberation activities (i.e, materials for the float, food for volunteers, Liberation candidate tickets, etc.).

## SECTION II – DEFINITIONS

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.

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**

Management is responsible for the overall accuracy of the financial statements and their conformity with accounting principles used to prepare the financial statements. 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 accounting principles used to prepare the financial statements).

### **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.