

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

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

YEAR ENDED DECEMBER 31, 2011

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

The Liberation Day Committee
Guam Island Fair/Liberation Day Committee Fund

We have audited the financial statement of the Guam Island Fair/Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011, and have issued our report thereon dated May 2, 2013. Our report includes an explanatory paragraph that the financial statement was prepared on the cash basis of accounting and is not intended to present the financial position and results of operations of the Mayors' Council of Guam. 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.

Internal Control Over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2011-1 to be a material weakness.

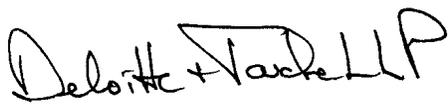
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2011-2.

We noted certain matters that we reported to management of the Fund in a separate letter dated May 2, 2013.

The Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Fund's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayors' Council of Guam, Liberation Day Committee, 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized and appears to be written in a cursive or semi-cursive script.

May 2, 2013

**GUAM ISLAND FAIR/LIBERATION DAY
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Schedule of Findings and Responses
Year Ended December 31, 2011

Finding No.: 2011-1
Area: Accounting and Financial Reporting Policies and Procedures

Criteria: Formal accounting and financial reporting policies and procedures should be in place.

Condition: Formal accounting and financial reporting policies and procedures are currently not in place. Financial statements were not prepared during 2011. While a disbursement ledger was compiled subsequent to December 31, 2011, a ledger was not maintained to account for receipts and disbursements throughout 2011. Further, a process of classifying and summarizing receipt and disbursement transactions to provide accurate financial statement reporting is not in place.

Cause: The cause of the above condition is the absence of formal accounting and financial reporting policies and procedures governing Liberation Day funds. This is heightened by the lack of an experienced accountant who can assist the Liberation Day Committee in recordkeeping and financial reporting.

Effect: The effect of the above condition is the potential negative perceptions associated with lack of accountability and transparency on Liberation Day funds.

Recommendation: We recommend that formal accounting and financial reporting policies and procedures be established and be documented. This should include but not be limited to policies and procedures relating to: (a) cash receipts; (b) cash disbursements; (c) document filing, (e) record retention, and (f) financial reporting, among others.

Further, we recommend preparation of periodic financial reports and that ledgers or an equivalent set of records be maintained. We also recommend that a process be established for classifying and summarizing receipts and disbursements for financial statement reporting purposes and that a formal chart of accounts be established.

We also recommend that the Liberation Day Committee continue with its initiative to obtain the services of an experienced accountant who can assist in the recordkeeping and financial reporting processes.

Prior Year Status: The absence of formal accounting and financial reporting policies and procedures was reported as a finding in the audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Mayor June Blas

Response and Corrective Action Plan: We agree with the findings and recommendation. We have secured the services of an experienced bookkeeper who will be responsible in preparing financial reports and compiling all data on income and expenditures. This recommendation will cover the 2013 Guam Island Fair. We will procure a Quickbooks Multi User software for use of all future Liberation Committees.

Projected Completion Date: Done (except for Purchase of Quickbooks software)

**GUAM ISLAND FAIR/LIBERATION DAY
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Schedule of Findings and Responses, Continued
Year Ended December 31, 2011

Finding No.: 2011-2
Area: Compliance with Applicable Procurement Regulations

Criteria: Applicable procurement rules and regulations should be adhered to. Further, procurement records that detail the history of procurement, including the rationale behind the method of procurement chosen, selection of contract type, rationale for contract/bid selection or rejection, and basis for contract price should be maintained.

Further, pursuant to Executive 2011-4, the Guam Island Fair Executive Committee's responsibilities include, but not limited to, overseeing that there is an open bidding process for goods/services that involve \$15,000 or more, pursuant to Guam procurement law, and that there are at least three (3) price quotes for goods/services of \$14,999 or less.

Condition: During tests of compliance with procurement rules and regulations, the following were noted:

1. Eighteen (18) disbursements aggregating \$49,639 were not supported by procurement documents such as rationale for the method of procurement, vendor selection or rejection and the basis of price. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2592	\$ 1,563	Airfare
2628, 2690	12,821	Airfare
2654, 2793, 2875	9,900	Carnival cleanup fees
2775	2,400	Hotel accommodations
2595	4,441	Materials and supplies
2604, 2661	579	Materials and supplies
2673	1,055	Materials and supplies
2614	820	Materials and supplies
2649, 2744	5,750	Queen's coronation designer fees
2831, 2874	5,200	Queen's float designer fees
2710	1,100	Security services
2582	<u>4,010</u>	Ticket printing
	<u>\$ 49,639</u>	

2. One \$3,620 disbursement for hotel accommodations (check #2772) was supported by less than three price quotes.
3. Four (4) disbursements aggregating \$42,326 involving projects/goods/services of \$15,000 or more were subjected to small purchase instead of competitive bidding. Further, procurement was supported by less than three price quotes. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2669, 2742, 2880	\$ 26,534	Security services
2650	<u>15,792</u>	Lavatory services
	<u>\$ 42,326</u>	

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Schedule of Findings and Responses, Continued
Year Ended December 31, 2011

Finding No.: 2011-2, Continued
Area: Compliance with Applicable Procurement Regulations

Cause: Compliance with applicable procurement rules and regulations appear to have not been strictly enforced to all applicable transactions.

Effect: The effect of the above condition is noncompliance with applicable procurement rules and regulations.

Recommendation: We recommend the Liberation Day Committee adhere to applicable procurement rules and regulations. Further, we recommend the Committee maintain procurement records that detail the history of procurement, including the rationale behind the method of procurement chosen, selection of contract type, rationale for contract/bid selection or rejection, and basis for contract price.

Prior Year Status: Noncompliance with applicable procurement rules and regulations was reported as a finding in the audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Persons: Mayor Robert Hoffmann and Executive Director Angel Sablan

Response and Corrective Plan: We agree with the findings and recommendation. For the 2013 Guam Island Fair, we have established template forms (to be used by various committee chairs in the procurement of items and services that are under the jurisdiction of such committee. While we realize that some procurement goes to a sole source or less than the three (3) due to a lack of vendors dealing with such services, i.e., fireworks, sound system rental for extended periods, we still exercise efforts to look for and seek out vendors. Additionally, our selection of certain vendors is based on our history with such vendor in providing the requested items and/or services for the Guam Island Fair. We have also scheduled a Procurement Training Course being facilitated by the Office of the Attorney General on May 29, 2013 that will be attended by Mayors and Vice Mayors and their staff dealing with procurement duties.

Projected Completion Date: Done.

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Unresolved Prior Year Findings
Year Ended December 31, 2011

Unresolved Prior Year Findings

As of December 31, 2011, the status of all audit findings included in the Schedule of Findings and Responses as of December 31, 2010 is as follows:

Finding No. 2010-01 – Not corrected. See corrective action plan to Finding No. 2011-1.

Finding No. 2010-02 – Not corrected. See corrective action plan to Finding No. 2011-2.