

**2010 GUAM ISLAND FAIR/66th LIBERATION DAY
COMMITTEE FUND**

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

YEAR ENDED DECEMBER 31, 2010

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
2010 Guam Island Fair/66th Liberation Day Committee Fund

We have audited the financial statement of the 2010 Guam Island Fair/66th Liberation Day Committee Fund (the Fund) for the period from March 17, 2010 to December 31, 2010, and have issued our report thereon dated April 19, 2012, which report was qualified as we were unable to verify the classification of certain deposits and disbursements. 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 2010-1 to be a material weakness.

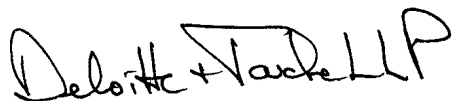
Compliance and Other Matters

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 2010-02.

We noted certain matters that we reported to the management of the Fund in a separate letter dated April 19, 2012.

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 written in a cursive, stylized font.

April 19, 2012

**2010 GUAM ISLAND FAIR/66th LIBERATION DAY
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Schedule of Findings and Responses
Period from March 17, 2010 to December 31, 2010

Finding No.: 2010-01
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 fiscal year 2010 and a ledger was not maintained to account for receipts and disbursements for the 2010 Guam Island Fair Account. Further, a process of classifying and summarizing receipts and disbursements transactions to provide accurate financial statement reporting is not in place.

Cause: The cause of the above condition is the lack of a clear understanding of the importance of formal accounting and financial reporting policies and procedures. 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 consider obtaining the services of an experienced accountant who can assist in the recordkeeping and financial reporting processes.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Angel R. Sablan, Liberation Day Committee` Chairperson

Response and Correction Action: We agree with the recommendations as set forth by the auditor.

The Mayors' Council of Guam is actively seeking an avenue to form a separate non-profit organization solely for the purpose of sponsoring and conducting the liberation festivities and the Guam Island Fair. Further, we will contract the services of an accounting firm or an accountant to meet the recommendations.

Proposed Completion Date: Ongoing

**2010 GUAM ISLAND FAIR/66th LIBERATION DAY
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Schedule of Findings and Responses
Period from March 17, 2010 to December 31, 2010

Finding No.: 2010-02
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.

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

1. Six disbursements from the Queen's Committee account aggregating \$8,963 and twenty-four disbursements from the Guam Island Fair account aggregating \$74,429 were not supported by procurement documents such as rationale for the method of procurement, vendor selection or rejection and the basis of the price.
2. Six disbursements from the Guam Island Fair account aggregating \$31,000 were procured through small purchases. While summaries were prepared for quotes received, not all quotes received were maintained. Further, records or documentation evidencing that requests for quotes or equivalent had been sent out to vendors were not maintained.
3. Three disbursements from the Guam Island Fair account aggregating \$35,750 were procured through sole source. The rationale for the sole source was not documented at the time the goods/services were procured.

Cause: The cause of the above condition is the lack of formal procurement rules and regulations on Liberation Day funds.

Effect: The effect of the above condition is inadequate documentation evidencing compliance with procurement requirements.

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.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Angel R. Sablan, Executive Director, Liberation Day Committee Chairperson

Response and Correction Action: It has been our contention that because the funds used for the Liberation Festivities are not government funds or appropriations, that it was not necessary to get quotes for all expenditures. However, we do exercise frugality in trying to get the best "bang" for our buck. As mentioned previously, all expenditures were requested and approved by various Committee Chairpersons before being paid out by the Executive Committee.

**2010 GUAM ISLAND FAIR/66th LIBERATION DAY
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Schedule of Findings and Responses
Period from March 17, 2010 to December 31, 2010

Finding No.: 2010-02, Continued
Area: Compliance with Applicable Procurement Regulations, Continued

Further, the Mayors' Council of Guam is actively seeking an avenue to form a separate non-profit organization solely for the purpose of sponsoring and conducting the liberation festivities and the Guam Island Fair.

Proposed Completion Date: Immediately