

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

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

YEAR ENDED DECEMBER 31, 2012

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 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, the financial statement of the Guam Island Fair/Liberation Day Committee Fund, which comprises the statements of deposits, disbursements and changes in cash as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statement 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 2012-01 to be a material weakness.

Compliance and Other Matters

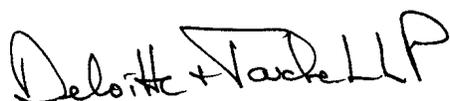
As part of obtaining reasonable assurance about whether the Guam Island Fair/Liberation Day Committee Fund's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 2012-02.

Guam Island Fair/Liberation Day Committee Fund's Response to Findings

The Guam Island Fair/Liberation Day Committee Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Guam Island Fair/Liberation Day Committee Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

November 21, 2013

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

Schedule of Findings and Responses
Year Ended December 31, 2012

Finding No.: 2012-01
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 2012. While a disbursement ledger was compiled subsequent to December 31, 2012, a ledger was not maintained to account for receipts and disbursements throughout 2012. 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 audits of the Liberation Day Committee Fund for 2011 and 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Angel R. Sablan, Executive Director

Response and Corrective Action Plan: We agree with the Auditors' findings. We have for 2013 contracted the services of a bookkeeper to ensure proper management and recordation of all income and expenditures. We have also maintained a separate file of all documents relating to the 2013 Liberation festivities so that findings from 2010 to 2012 are not repeated. We are confident this will not be an issue in future audits.

We will follow the recommendations as to periodic reports and ledgers and for classifying and summarizing receipts and disbursements.

Projected Completion Date: 2013

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

Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02
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.

Further, pursuant to G.C.A. Title 1, Section 1013.6 the Guam Island Fair 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. Twenty-four (24) disbursements aggregating \$56,173 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>
2914	\$ 3,850	Printing
2924	4,445	Airfare
2933	3,740	Equipment rental
2934	5,000	Queen's float materials
2940	1,636	Materials and supplies
2952	1,650	Equipment rental
2964	1,477	Equipment
2967	3,245	Equipment rental
2982	482	Materials and supplies
2984	2,970	Equipment rental
2995	278	Materials and supplies
3023	840	Materials and supplies
3025	5,243	Airfare
3051	6,498	Airfare
3055	82	Food
3072	1,440	Printing
3076	3,000	Queen's coronation materials
3104	240	Food
3135	673	Materials and supplies
3173	2,970	Equipment rental
3174	975	Materials and supplies
3199	3,200	Hotel accommodation
3233	429	Food
3270	<u>1,810</u>	Printing
	\$ <u>56,173</u>	

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Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02, Continued
Area: Compliance with Applicable Procurement Regulations

2. Four (4) disbursements aggregating \$40,429 involving projects/goods/services of \$15,000 or more were procured through the small purchase method. While the Liberation Committee did obtain quotes for the services, the total invoiced amount exceeded the threshold of \$15,000 which would have required a competitive bidding. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2992, 3170, 3290	\$ 19,000	Security services
3000	<u>21,249</u>	Lavatory services
	\$ <u>40,249</u>	

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 audits of the Liberation Day Committee Fund for 2011 and 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Angel R. Sablan, Executive Director

Response and Corrective Action Plan:

1. Justification for the procurement method used on the disbursements tested is as follows:

Printing: We used the same vendor as 2011 as they already had the template for the raffle tickets drafted and we did not have to pay additional fees for ticket design and layout. Additionally, the vendor chosen was the only one who could meet our time frame for delivery as reported by the Chairperson of the Raffle Committee at our Executive Committee meeting.

Airfare: The Liberation Committee had to go directly to the airline carrier (in this case - United Airlines) due to the fact that Travel Agencies were not able to procure or reserve tickets for the Queen and escorts (who were not yet named as of the time of ticket purchase). We opted to purchase tickets early to get better airfares and thus the only option was to go directly to the airline and United offered the best connections and fare.

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Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02, Continued
Area: Compliance with Applicable Procurement Regulations

Food: The Liberation Committee did not send out requests for quotes as the Liberation Committee opted to support the food vendors at the carnival, and thus all food purchased and procured for the Liberation Committee, the Queen's Committee, and the Parade Committee were purchased from the various food vendors at the Carnival. Every vendor was given an opportunity to provide food and drinks to the various Committees.

Hotel Accommodation: The Queen's Committee did obtain quotes for the Queen candidates and the vendor chosen was the lowest amongst all the quotes and had the room availability.

Materials and Supplies: The Logistics Committee and Concessions Committee did provide lists of materials to hardware and construction material vendors. The Committees chose the vendor that could provide a majority of the items needed, including delivery and discounts offered.

Equipment Rental: The Concessions Committee did do a telephonic request on quotes for the use of backhoes and operators and all vendors basically offered the same costs. The Committee chose the vendor closest to Tiyan to take advantage if the lower mobilization costs and the availability of the equipments needed.

2. We did issue requests for quotes for both items. However the Committee did not do an Invitation For Bid due to the fact that the Committee wanted to have the leeway to change the terms of the Security Services on a daily or weekly basis depending on need and activities at the Carnival Grounds. It is for this reason that we opted to ask for a "per man hour rate" rather than a total costs for the entire time of the Carnival. This allowed the Committee to change the number of guards needed and hours to be served. We also issued "Requests for Quotations" for for Portable Toilets based on the same reasoning for the Security services. This allowed the Committee to add or subtract the number of toilets needed based on crowd use and attendance and/or weather conditions.

Projected Completion Date: 2013

**GUAM ISLAND FAIR/LIBERATION DAY
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Unresolved Prior Year Findings
Year Ended December 31, 2012

Unresolved Prior Year Findings

As of December 31, 2012, the status of all audit findings included in the Schedule of Findings and Responses as of December 31, 2011 is as follows:

Finding No. 2011-01 – Not corrected. See corrective action plan to Finding No. 2012-01.

Finding No. 2011-02 – Not corrected. See corrective action plan to Finding No. 2012-02.

Finding No. 2010-01 – Not corrected. See corrective action plan to Finding No. 2012-01.

Finding No. 2010-02 – Not corrected. See corrective action plan to Finding No. 2012-02.