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November 21, 2013

Mr. Angel Sablan
Chairperson
Guam Island Fair / Liberation Day Committee Fund

Dear Mr. Sablan:

In planning and performing our audit of the financial statement of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2012 (on which we have issued our report dated November 21, 2013), 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 Guam Island Fair/Liberation Day Committee 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 Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee 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. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and other matters as of December 31, 2012 that we wish to bring to your attention.

We have also issued a separate report to the Guam Island Fair/Liberation Day Committee, also dated November 21, 2013 on our consideration of the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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.

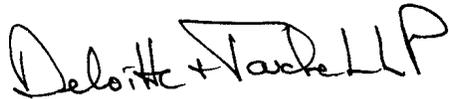
The Guam Island Fair/Liberation Day Committee Fund's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Guam Island Fair/Liberation Day Committee Fund's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Guam Island Fair/Liberation Day Committee Fund, 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 Guam Island Fair/Liberation Day Committee Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

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

SECTION I - DEFICIENCIES

We identified, and have included below, deficiencies involving the Guam Island Fair/Liberation Day Committee Fund’s internal control over financial reporting as of December 31, 2012 that we wish to bring to your attention:

1. Ticket Sales

During test of the Queen’s raffle tickets, the following were noted:

- a. A detailed report of final returned and unsold tickets was not provided. Further, the disposal process for unsold tickets was not evident.

We recommend that unsold and returned tickets be accounted for and that disposal of unsold tickets be documented.

- b. Of eight items examined:
 - i. Returned tickets per the ticket reconciliation summary did not agree to ticket count sheets for five items.
 - ii. The ticket count sheets for one item for certain ticket series (ticket series 1781 to 1800; 1801 to 1900; and 25001 to 26000) were not provided.
 - iii. Notations and/or legends (i.e. color codes) on ticket count sheets were not defined.

We recommend that the ticket reconciliation summary be reconciled with the ticket count sheets and that discrepancies be investigated. We also recommend that all ticket count sheets be filed and that notations/legends in the ticket count sheets be defined.

Auditee Response: We have already corrected this procedure for 2013. The ticket sales policy and procedures have been put in place and all tickets and corresponding issuance and returns and sales are now properly documented and accounted for.

2. Concessions Receipts

Total concessions of \$460,832 per the concessions report differed from total receipts of \$458,413 per the bank statement (\$2,409 difference). A reconciliation was not provided.

We recommend that concession reports be reconciled to deposits.

Auditee Response: The difference of \$2,409 in deposits (over) receipts is due to the intake of additional four (4) late vendors who did not participate in the bid opening on March 19, 2012.

3. Disbursements

Of seventy-one disbursements tested aggregating \$413,437, the following were noted:

- a. Invoices, billings, contracts or equivalent for the following were not completely provided:

<u>Check #</u>	<u>Amount</u>	<u>Purpose</u>
3051	\$ 6,498	Airfare
3025	5,243	Airfare
2924	<u>4,445</u>	Airfare
	16,186	
With invoices	<u>8,063</u>	
Without invoices	\$ <u>8,123</u>	

SECTION I – DEFICIENCIES, CONTINUED

3. Disbursements, Continued

- b. Travel vouchers for the following per diem disbursements were not supported by travel documents (i.e. evidence of travel, trip report, travel authorization):

<u>Check #</u>	<u>Amount</u>
2928	\$ 2,157
2938	1,232
2969	924
3047	<u>924</u>
	\$ <u>5,237</u>

We recommend that all disbursements be supported by invoices, billings and other relevant documents. Further, we recommend that these documents be available on file.

Auditee Response: The three (3) checks were issued to the same individual and was tasked to provide receipts for the airfare. Airfare were paid through credit card of the check holder.

- a. We will request the return of \$8,123 to the Liberation Committee if receipts are not provided to the Liberation Committee by December 15, 2013.
- b. Travel vouchers have been provided to the auditor on the identified checks for per diem issued.

4. Issuance of Form - 1099

Certain disbursements related to contractual and professional services; however, a Form-1099 was not issued.

We recommend that Form-1099 be issued for services paid in excess of \$600.

Auditee Response: We have appointed a member to be the exclusive responsible person to ensure that all 1099's are issued to all vendors paid in excess of \$600 for 2013. This issue will be resolved.

5. Travel Policies

Certain disbursements related to travel expenses (i.e., airfare, per diem, accommodation). Formal policies and procedures were not in place relating to travel related expenses.

We recommend that formal travel policies and procedures be established.

Auditee Response: We have established formal travel policies and procedures. We do expect all travelers to now adhere to the policies set in place.

6. Non-profit Filing Requirements with Revenue and Taxation

Relevant documents supporting the Fund's non-profit status were not provided.

We recommend that relevant documents supporting the Fund's non-profit status be available on file. Further, we recommend that the Fund comply with applicable Revenue and Tax filings.

Auditee Response: The Mayors' Council of Guam has now appointed a Non-Profit organization to sponsor, plan, and implement all Liberation Day activities beginning with 2013.

SECTION I – DEFICIENCIES, CONTINUED

7. Minutes of Meeting

Minutes of meetings were not provided except for the April 11, 2012 minutes.

We recommend that minutes of meetings be kept on file.

Auditee Response: We will ensure that all recordings of Committee meetings are transcribed in a timely manner so that it is available for inspection prior to an ensuing meeting.

SECTION II - DEFINITIONS

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 the cash basis of accounting. 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 the cash basis of accounting).

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.