

April 30, 2007

Honorable Felix P. Camacho
Governor of Guam:

In planning and performing our audit of the financial statements of Government of Guam Tourist Attraction Fund and of those funds related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A, for the year ended September 30, 2006, on which we have issued our report dated April 30, 2007, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

1. Accounting for Investments

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 31, *Certain Investments and External Investment Pools*, requires governmental entities to report investments at fair value in the balance sheet.

Condition: At September 30, 2006, GovGuam recorded investments at cost in the amount of \$12,973,535 within Fund 354. The fair value of these investments amounted to \$12,941,498, which resulted in an overstatement of \$32,037. As this amount was not considered material to the financial statements, no audit adjustment was proposed.

Cause: The cause of the above condition is the failure to implement the correct accounting treatment as required in GASB Statement No. 31.

Effect: The effect of the above condition is an overstatement of investment balances.

Recommendation: We recommend that the Department of Administration implement GASB Statement No. 31 in accounting for investments.

Auditee Response and Corrective Action Plan: Agree. DOA will begin to implement GASB Statement No. 31 in accounting for investments effective fiscal year ending September 30, 2007.

2. Recordation of Revenues

Criteria: Revenue classifications should be based on the nature of the revenue received.

Condition: For the year ended September 30, 2006, the Department of Administration recorded hotel occupancy taxes of \$20,082,678, whereas the Department of Revenue and Taxation received, through monthly Gross Receipts Tax (GRT) returns, hotel occupancy taxes of \$19,853,989. An audit adjustment was proposed to reduce recorded revenues by \$294,906 less a refund payable of \$66,217.

Cause: The cause of the above condition is the lack of reconciliation of revenues received by the Treasurer of Guam through the Department of Revenue and Taxation to revenues recorded by DOA within the Tourist Attraction Fund revenue accounts.

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Effect: The effect of the above condition is the possibility of revenues received not being recorded within the correct Fund and revenue classifications.

Recommendation: We recommend that the Department of Administration establish policies and procedures to ensure that revenues received by the Department of Revenue and Taxation reconcile to revenues recorded by the Tourist Attraction Fund.

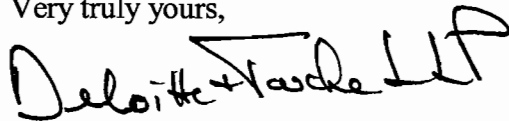
Auditee Response and Corrective Action Plan: Agree. DOA has already begun procedures to reconcile with DRT but was not able to start until halfway through FY2006.

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This report is intended solely for the information and use of the Trustees, management of the Government of Guam Tourist Attraction Fund, and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the Tourist Attraction Fund during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Deloitte Touche LLP". The signature is stylized and written in a cursive-like font.