

**GUAM VISITORS BUREAU
(A PUBLIC CORPORATION)**

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

YEAR ENDED SEPTEMBER 30, 2001



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

The Board of Directors
Guam Visitors Bureau:

We have audited the financial statements of the Guam Visitors Bureau (GVB), as of September 30, 2001, and for the year then ended, and have issued our report thereon dated September 24, 2003. 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.

Compliance

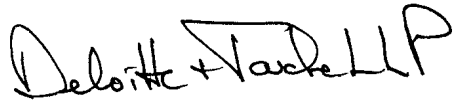
As part of obtaining reasonable assurance about whether GVB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GVB's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of GVB in a separate letter dated September 24, 2003.

This report is intended for the information of Board of Directors and management of GVB, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

September 24, 2003



September 24, 2003

The Board of Directors
Guam Visitors Bureau:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) for the year ended September 30, 2001, on which we have issued our report dated September 24, 2003, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding No. 1 – Non-Payroll Expenses

Criteria:

Expenses should be supported by purchase orders.

Condition:

In 3 out of 73 instances tested, a purchase order supporting the expense was missing.

<u>Check Number/ Reference Number</u>	<u>Posted Date</u>	<u>Tested Amt</u>
01449	5/3/01	\$ 12,684
PO6374	9/30/01	\$ 10,619
01AUG101	8/8/01	\$ <u>52,000</u>
	Total	\$ <u>75,303</u>

Cause:

The cause of this condition is unknown.

Effect:

It is possible that amounts recorded as expenses may be overstated due to the absence of documentary evidence.

Recommendation:

GVB should maintain detailed supporting documentation (i.e. purchase orders) to support expense transactions.

Finding No. 2 – Non-Payroll Expenditures

Criteria:

Purchase orders should be approved by the appropriate department manager/supervisor, accounting department and the general manager/deputy general manager.

Condition:

In 1 out of 73 instances tested, the signature was missing on the purchase order.

<u>PO #</u>	<u>Missing signature</u>
5494	Accounting

Cause:

The cause of this condition appears to be management oversight.

Effect:

There is no known material effect on the financial statements as a result of this condition. However, expense transactions may not comply with GVB disbursement policies and procedures.

Recommendation:

All purchase orders should evidence proper signatures before vendor payments are issued.

Finding No. 3- Non-Payroll Expenses

Criteria:

GVB should maintain accurate expense ledgers. Expense ledgers are maintained by marketing officers and are used to track the amount used and the amount remaining per purchase order for expenses related to the Japan market.

Condition:

In 5 out of 73 instances tested, the underlying expense ledger was not located.

	<u>Check Number/ Reference Number</u>	<u>Posted Date</u>	<u>Payee</u>	<u>Tested Amount</u>
1	0109007	9/14/01	Delphys	\$ 34,650
2	00001	7/5/01	Mitsubishi Jissho	\$ 18,395
3	PO5527-30	9/30/01	Mitsubishi Jissho	\$ 10,389
4	0109004	9/14/01	Delphys	\$ 18,744
5	0107006	9/7/01	Delphys	\$ <u>233,090</u>
			Total	\$ <u>315,268</u>

Finding No. 3- Non-Payroll Expenses, Continued

Cause:

The cause of this condition is unknown.

Effect:

It is possible that amounts recorded as expenses may be overstated due to the absence of documentary evidence.

Recommendation:

GVB should maintain detailed supporting documentation (i.e. expense ledgers) to support expense transactions.

Finding No. 4 – Non-Payroll Expenses

Criteria:

GVB should maintain accurate purchase order records.

Condition:

In 1 of 73 instances tested, a purchase order that was not related to the transaction was used to support the expense.

	<u>PO #</u>	<u>Check Number/ Reference Number</u>	<u>Posted Date</u>	<u>Description of Expenditure</u>	<u>Description on the PO</u>
1	5506	01317	5/10/01	JATA exhibition fee	B-ball tournament

In 2 of 74 instances tested, a voided purchase order was used in support of the expense.

	<u>PO #</u>	<u>Check Number/ Reference Number</u>	<u>Posted Date</u>	<u>Description</u>
1	5430	01-8M-01	8/28/01	Asatsu-partial invoice 01-8M-01, '99 spring camp
2	5433	01-8M-07	9/14/01	Asatsu-Media tie-in, Fushigi Hakken

Cause:

The cause of this condition is unknown.

Effect:

No known material effect on the financial statements results from this condition. However, these expense transactions did not comply with GVB disbursement policies and procedures.

Finding No. 4 – Non-Payroll Expenses, Continued

Recommendation:

The GVB accounting department should review all expenses, ensuring that proper purchase orders are used for transactions.

Finding No. 5 – Non-Payroll Expenses

Criteria:

GVB should only record actual expenses, as opposed to budgeted amounts.

Condition:

The following transactions were not actual FY 2001 expenses but were recorded as such.

	<u>Description</u>	<u>Ref No</u>	<u>Date</u>	<u>Amount</u>
1	Adjusting/reclassification entries	KO-092001-01	9/30/01	\$ 23,359
2	Adjusting/reclassification entries	KO-092001-01	9/30/01	\$ <u>126,022</u>
			Total	\$ <u>149,381</u>

Cause:

The unused budget to be carried forward to the following year was accrued, and over-spent budgets were recorded as a credit to current year expenses.

Effect:

Amounts recorded as expenses are overstated due to the recording of the over-spent budget amounts.

Recommendation:

Only incurred expenses should be recorded as such, rather than budgeted expenses.

Finding No. 6 – Encumbrances

Criteria:

Expenses should not be accrued unless a liability has been incurred.

Condition:

The balances in the following accounts were expensed and accrued at year end. However, these items were not substantiated by invoices because no liability has been incurred for such amounts.

Finding Number. 6 – Encumbrances, Continued

Condition, Continued:

	<u>Description</u>	<u>Account No.</u>	<u>Chk Amt</u>
1	Accrued expenses 01 – japan	2101	\$ 1,337,085
2	Accrued expenses 01 – taiwan	2103	8,762
3	Accrued expenses 01 – korea	2104	338,331
4	Accrued expenses 01 – philippines	2106	2,986
5	Accrued expenses 01 – admin	2107	118,298
6	Accrued expenses 01 - pacific	2108	32,971
7	Accrued expenses 01 – tourist industry relations	2109	94,603
8	Accrued expenses 01 – cultural heritage	2110	58,067
9	Accrued expenses 01 – cultural development	2111	95
10	Accrued expenses 01 – research	2112	2,391
11	Accrued expenses 01 – membership	2113	17,443
		Total	\$ <u>2,011,032</u>

Cause:

The cause appears to be inappropriate recording of encumbrances.

Effect:

The above amounts were included in the current year’s proposed audit adjustments. However, a potential overstatement of expenses and liabilities on future financial statements could occur if the current practice of accounting for encumbrances continues as noted above.

Recommendation:

GVB should encumber funds by recording a fund balance reserve.

Finding Number 7 – In-Kind Contributions

Criteria:

GVB should maintain accurate records of in-kind contributions. The accounting for detailed in-kind contributions is delegated to the marketing officers.

Condition:

A summary chart was not maintained for in-kind contributions received by GVB from the Korea marketing department.

Cause:

The cause of this condition is unknown.

Effect:

It is possible that amounts recorded as contributions may be over/understated due to the absence of documentary evidence.

Finding Number 7 – In-Kind Contributions, Continued

Recommendation:

Accurate records of all in-kind contributions received should be maintained.

Finding Number 8 –In-Kind Contributions

Criteria:

In-kind contributions should be accurately recorded.

Condition:

The following amounts for in-kind contribution accounts were not recorded by GVB at the end of the year.

	<u>Description</u>	<u>Account Number</u>	<u>Amount</u>
1	In-kind contributions - japan	4008-1040	\$ 249,616
2	In-kind contributions - north america	4008-1110	16,037
3	In-kind contributions - taiwan	4008-1140	53,646
4	In-kind contributions - korea	4008-1150	4,979
5	In-kind contributions - hong kong	4008-1160	24,687
6	In-kind contributions - philippines	4008-1170	8,402
7	In-kind contributions - community development	4008-4010	7,470
8	In-kind contributions - research department	4008-4020	<u>31,994</u>
		Total	\$ <u>396,831</u>

Cause:

The cause of this condition is unknown.

Effect:

A potential understatement of revenues and expenses results from this condition.

Recommendation:

GVB should record all in-kind contributions.

Finding Number 9 – Credit Card Transactions

Criteria:

GVB should maintain supporting documents for all credit card transactions.

Finding Number 9 – Credit Card Transactions, Continued

Condition:

For the following transaction, the supporting receipts/invoices were not provided.

<u>Amount</u>	<u>Account</u>	<u>Period</u>	<u>Credit Card Number</u>
\$217	6021-PI-ADM000-805	March '01	5473-232214173177

We were able to obtain an affidavit supporting the basis for the charge.

Cause:

The cause of this condition appears to be the absence of enforcement of GVB's policy of credit card use.

Effect:

There is no known effect on the financial statements as a result of this condition. However, noncompliance with the criteria has resulted.

Recommendation:

GVB should enforce the provisions of its credit card policy.

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This report is intended solely for the information and use of Board of Directors and management of the Guam Visitors Bureau.

We wish to express our appreciation for the cooperation of the staff and management of GVB 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,

