

Independent Auditors Report on Compliance and Internal Control

Government of Guam

Tourist Attraction Fund and Funds and Account Group

**Relating to the Issue of the Limited Obligation Infrastructure
Improvement Bonds, 1997 Series A**

Year ended September 30, 2000

Government of Guam
Tourist Attraction Fund and Funds and Account Group
Relating to the Issue of the Limited Obligation
Infrastructure Improvement Bonds, 1997 Series A

Reports on Compliance and Internal Control

Year ended September 30, 2000

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Report of Independent Auditors on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Honorable Felix Camacho
Governor of Guam

We have audited the financial statements of the Tourist Attraction Fund and Funds and Account Group related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A (the “Tourist Attraction Fund”), as of September 30, 2000, and for the year then ended, and have issued our report thereon dated March 18, 2003. We conducted our audit in accordance with generally accepted auditing standards 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 the Tourist Attraction Fund’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 the Tourist Attraction Fund’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 the Government of Guam in the accompanying Schedule of Findings (Findings 2000-1 to 2000-3).

This report is intended solely for the information of the Government of Guam, federal awarding agencies and 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 these specified parties.

Ernst + Young LLP

March 18, 2003

Tourist Attraction Fund and Funds and Account Group
Relating to the Issue of the Limited Obligation
Infrastructure Improvement Bonds, 1997 Series A

Schedule of Findings

Year ended September 30, 2000

Finding Number 2000-01: Reconciliation of Inter-Fund Receivable and Payable Balances

Criteria:

Timely and effective reconciliation procedures should be performed for all inter-fund accounts.

Condition:

Certain inter-fund receivable and payable balances were not reconciled.

Cause:

There appears to be weak internal controls in ensuring that interfund balances are reconciled in a timely manner.

Effect:

Failure to perform monthly reconciliations increases the possibility that errors will not be detected and the financial statements will be misstated. Several adjustments were made to properly state the affected account balances.

Recommendation:

The Division of Accounts should review and reconcile all inter-fund account balances on a monthly basis.

Auditee Response:

In a letter dated October 7, 2003 the Auditee responded as follows:

- Agree to some exception.
- The Division of Accounts was awaiting for the Bureau of Budget and Management Research (BBMR) and Management's review of GVB's financial report to determine if the GVB had adequate funding. As a result, the accrual was recorded and was subsequently adjusted after the audit fieldwork was completed.

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Schedule of Findings, continued

Year ended September 30, 2000

Finding Number 2000-02: Accrued Expenditures

Criteria:

Timely and effective reconciliation procedures should be performed for all accrued expense accounts.

Condition:

The financial statements reflected a \$2,109,134 accrued liability due to the Guam Visitors Bureau, which has not been paid.

Cause:

There appears to be weak internal controls in ensuring that accrued expenditures are reconciled in a timely manner.

Effect:

The effect of this condition may be an overstatement of accrued expenses. An adjustment was recorded to correct the account balance.

Recommendation:

The Division of Accounts should review and reconcile accounts on a timely manner and determine whether amounts represent valid liabilities.

Auditee Response:

In a letter dated October 7, 2003 the Auditee responded as follows:

- Agree.
- As of this period, the Division had a staff shortage issue and implemented a new financial management system that made electronic tracking of interfund accounts more difficult. Corrective actions are now in place to address this reconciliation procedure.

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Schedule of Findings, continued

Year ended September 30, 2000

Finding Number 2000-03: Taxes Receivable

Criteria:

Account balances should be reviewed, analyzed and reconciled on a regular basis.

Condition:

The trial balance reflected \$172,364 in taxes receivable from the Department of Revenue and Taxation (DRT), which has not changed since the prior year.

Cause:

There appears to be weak internal controls in ensuring that accrued expenditures are reconciled in a timely manner.

Effect:

The affected account may be misstated.

Recommendation:

The Division of Accounts should contact DRT and determine whether the amount represents a valid receivable.

Auditee Response:

In a letter dated October 7, 2003 the Auditee responded as follows:

- Agree.
- The Division of Accounts will work with the Department of Revenue & Taxation to address this concern. This task will be completed by the next audit period.