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March 30, 2016

Mayor Louise C. Rivera and Vice Mayor Kenneth C. Santos  
Municipality of Tamuning-Tumon-Harmon

Dear Mayor Rivera and Vice Mayor Santos:

In planning and performing our audit of the financial statement of the Mayors' Council of Guam for the year ended September 30, 2015 (on which we have issued our report dated March 30, 2016), 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 Mayors' Council of Guam'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 Mayors' Council of Guam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mayors' Council of Guam'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 that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Mayors' Council of Guam's Tamuning-Tumon-Harmon Mayor's Office internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention.

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.

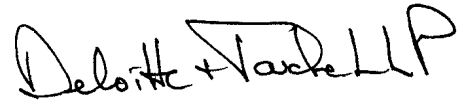
The Tamuning-Tumon-Harmon Mayor's Office's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Tamuning-Tumon-Harmon Mayor's Office's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayors' Council of Guam, 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 Tamuning-Tumon-Harmon Mayor's Office for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, flowing style with a large, stylized 'D' at the beginning and a large 'P' at the end.

## SECTION I – DEFICIENCIES

We identified, and have included below, deficiencies involving the Mayors' Council of Guam's Tamuning-Tumon-Harmon Mayor's Office internal control over financial reporting as of September 30, 2015 that we wish to bring to your attention:

### 1. Compliance with Applicable Procurement Rules and Regulations

Of two disbursements tested aggregating \$3,239, one check (#454) in the amount of \$1,624 was not supported by comparative prices. Disbursement from Non-Appropriated Funds (NAF) were not subjected to procurement procedures due to the absence of formal procurement rules and regulations. The Mayors' Council of Guam has established a Task Force to research and clarify procurement regulations applicable to NAF (including Senior Center Fund). Currently, the Task Force is in the process of developing a uniform procurement policy.

We recommend the Tamuning-Tumon-Harmon Mayor's Office continue to coordinate with the Mayors' Council of Guam in its initiative to develop a procurement policy that will be consistently and uniformly used by all districts.

Response: Despite being unable to present the documented support, please be assured that the required three-quote process was observed for this function and a vote was exercised to decide the venue and approval of the costs. As with any given function, the Seniors are quite passionate and no function of this caliber is ever exercised without their input. It is unfortunate that the paperwork was not surrendered by the previous board. A new board has recently been elected.

### 2. Receipts

The following were noted in tests of receipts:

- a. Receipts of \$5,817.40 were deposited after more than ten days.

<u>Receipt Date/s</u>	<u>Deposit Date</u>	<u>Amount</u>
Jan 5 – 23, 2015	Feb 4, 2015	\$ 1,606.70
Apr 20 – 24, 2015	May 7, 2015	555.50
May 4 – Jun 5, 2015	Jun 15, 2015	2,387.60
Jul 13 – 17, 2015	Jul 28, 2015	666.00
Jul 27- 31, 2015	Aug 11, 2015	<u>601.60</u>
		\$ <u>5,817.40</u>

We recommend that daily collections be timely deposited.

Response: We experienced a shortage of staff due to emergency leave of several employees for various reasons including death of a family members and illness. The cash receipts were held for safe keeping and deposits were made as soon as possible.

- b. A net under-deposit variance of \$222.05 resulted from four deposits.

<u>Receipt Date/s</u>	<u>Collected</u>	<u>Deposited</u>	<u>Under (over) deposit</u>
Nov 17 – Dec 12, 2014	\$ 1,941.55	\$ 1,736.95	\$ 204.60
Dec 15 – 31, 2014	1,022.30	1,041.85	(19.55)
Mar 26, 2015	83.30	79.30	4.00
Aug 3 – 7, 2015	<u>652.10</u>	<u>619.10</u>	<u>33.00</u>
	\$ <u>3,699.25</u>	\$ <u>3,477.20</u>	\$ <u>222.05</u>

We recommend that receipts be deposited intact and deposit slips be available on file.

**SECTION I – DEFICIENCIES, CONTINUED**

2. Receipts, Continued

Response: Errors in calculations of the Bingo Sheets were identified but not corrected on the sheet itself. The initial calculations are performed by the Seniors and are later recalculated by Staff. A revised daily report sheet has been drawn up and implemented which will itemize all entries to the Bingo Sheets on a daily basis. Additionally, a weekly dashboard protocol is being established and the routing process will ensure weekly audits between the bank activity and the actual daily activity.

**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 accounting principles used to prepare the financial statements. 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 accounting principles used to prepare the financial statements).

### **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.