

April 11, 2018

Mr. Jon Nathan Denight
General Manager
Guam Visitors Bureau
401 Pale San Vitores Road
Tumon, Guam 96913

Dear Mr. Denight:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) and its Special Tourist Attraction Fund Projects as of and for the year ended September 30, 2017 (on which we have issued our report dated April 11, 2018), 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 GVB'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 GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB'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 GVB's internal control over financial reporting and other matters as of September 30, 2017 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated April 11, 2018, on our consideration of GVB's internal control over financial reporting and 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.

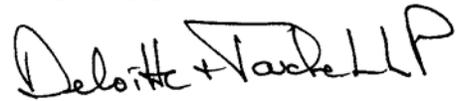
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Board of Directors, 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.

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 GVB 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, slightly stylized font.

SECTION I – DEFICIENCIES

We identified the following deficiencies involving GVB's internal control over financial reporting as of September 30, 2017 that we wish to bring to your attention:

1. Agent contracts

Contracts should specify services covered by agent fees. GVB should monitor agent produced events, such as ticket sales, sponsorships, in-kind donations and resolution of unissued tickets.

- a) Agent services and fees exceeding agreed amounts were invoiced to GVB. The underlying contract contained no provision for this eventuality and therefore, the manner in which final resolution occurred may not be predicated on the underlying agreement.
- b) The agent was contracted for an event production. All transactions including accountability of tickets, sponsorships and in-kind donations were not provided to GVB until six months after the event occurred. The following exceptions were identified:
 - Approximately \$70,000 of in-kind donations were not recorded.
 - Tickets valued at approximately \$10,000 were not accounted for. An affidavit was subsequently provided to support the destruction of such tickets by the agent.
 - The agent used 16 tickets valued at \$1,600 in exchange for equipment. No documented approval was available. It was subsequently determined by the agent that such was provided to a sponsor.

Prior Year Status: The above conditions were identified as a finding in prior year audits.

Recommendation: Contracts should clarify approval processes for billings in excess of stated contract prices. Furthermore, we recommend the agent document reconciliations of tickets produced and sold to ascertain that all collections have been received and provided to GVB. Issued tickets to sponsors or used for trade of equipment should be supported with a documented approval. All in-kind donations should be provided to GVB and be supported by an acknowledged receipt from both parties, the value of the donation, and the restrictions imposed, if any.

2. Revenues

Comment: Collections should be timely deposited.

On May 21, 2017, a deposit of \$36,100 included checks and cash collections received between February 28, 2017 thru April 28, 2017.

Recommendation: We recommend GVB implement controls to ascertain that all collections received are deposited timely to the bank.

SECTION I – DEFICIENCIES, CONTINUED

3. Sponsorship

Comment 1: A sponsorship for \$150,000 was paid to the Governor's Office Employees Association for the Peace Festival; however, documented Board approval was not available.

Comment 2: A \$3,000 grant was paid to a vendor; however, documented committee approval was not available.

Recommendation: We recommend GVB document Board and committee approval for sponsorships in accordance with existing policy.

4. Expenditures

Comment: Goods and services received are matched manually with purchase order details and/or invoices; documents are canceled on payment of the invoice to prevent reuse.

The same \$100,000 invoice was processed and paid to a contractor two times. The error was identified by the vendor.

Recommendation: We recommend GVB strengthen controls to ascertain that invoices are not double posted.

SECTION II – DEFINITION

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

GVB's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. 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 generally accepted accounting principles).

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.