



OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

32-13-1063
Office of the Speaker
Judith T. Won Pat, Ed. D.
Date: 12.05.13
Time: 7:50 am
Received by: [Signature]

December 4, 2013

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'Trentai Dos Na Liheslaturan Guåhan
155 Hesler Place
Hagatna, Guam 96910

2013 DEC -5 AM:8:17
[Signature]

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the 2012 Guam Island Fair/Liberation Day Committee Fund's audited Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Attached are our highlights of the audit report.

For your convenience, you may also view and download the reports in their entirety at www.guamopa.org.

Senseramente,

for Doris
Doris Flores Brooks, CPA, CGFM
Public Auditor

RECEIPT ACKNOWLEDGED
Received by: UFD
Date: 12/24/13

RECEIPT ACKNOWLEDGED:

By: _____

Date: _____

1063

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

**FINANCIAL STATEMENT
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2012 AND 2011



2012 Guam Island Fair/ Liberation Day Committee Fund Financial Highlights

December 4, 2013

The 2012 Liberation Day Committee (LDC) Fund audit marks the third year that the annual Liberation activities was under the auspices and control of the Mayor's Council of Guam (MCOG). The LDC Fund ended calendar year (CY) 2012 with an unqualified opinion on its statement of cash deposits and disbursements. The MCOG is to be commended for achieving its first unqualified opinion in the three years they have had oversight over Liberation Day festivities. However, independent auditors Deloitte & Touche, LLP identified deficiencies similar to those identified in the LDC 2011 and 2010 audits.

In March 2013, the MCOG created and designated a new non-profit organization, the 2013 Guam Liberation Historical Society, to run the Liberation Day festivities beginning in 2013.

Liberation Day Deposits and Disbursements

Although deposits increased by 10% from 2011, this was not enough to off-set the 51% increase in disbursements. As a result, cash decreased by \$89 thousand (K) or 84% from \$106K to \$17K. Total 2012 LDC deposits amounted to \$597K, a \$54K or 10% increase from the 2011 deposits of \$543K. The top three 2012 receipts are made up of \$458K or 77% in concessions followed by \$120K or 20% in ticket sales, and \$18K or 3% in sponsorships. Ticket sales more than doubled from \$52K in 2011, or by 132%.

Total 2012 LDC disbursements amounted to \$686K, a \$231K or 51% increase from \$455K in 2011. The top five overall disbursements were for: materials and supplies (\$88K); commissions (\$88K); fireworks (\$55K); travel and accommodation (\$51K); and power and installation (\$41K). From the commissions of \$88K, \$38K was paid to the MCOG and \$50K was paid to Liberation Day Queen Candidates and sponsors. In addition, donations to RIGALU Foundation, a non-profit organization, amounted to \$39K.

Report on Compliance and on Internal Control and Management Letter

The same findings in the LDC 2011 and 2010 audits were again identified in the 2012 Report on Compliance and Internal Control. The material weakness continues to be the lack of formal accounting policies and the noncompliance with procurement procedures.

- **Accounting and Financial Reporting Policies and Procedures.** Financial statements were not prepared, a ledger was not maintained to account for receipts and disbursements throughout 2012, and a process of classifying and summarizing receipt and disbursement transactions was not in place. The auditors continue to recommend that the LDC obtain



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November 21, 2013

Mr. Angel Sablan
Chairperson
Guam Island Fair / Liberation Day Committee Fund

Dear Mr. Sablan:

In planning and performing our audit of the financial statement of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2012 (on which we have issued our report dated November 21, 2013), 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 Guam Island Fair/Liberation Day Committee Fund'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 Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund'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. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and other matters as of December 31, 2012 that we wish to bring to your attention.

We have also issued a separate report to the Guam Island Fair/Liberation Day Committee, also dated November 21, 2013 on our consideration of the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and on 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.

The Guam Island Fair/Liberation Day Committee Fund's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Guam Island Fair/Liberation Day Committee Fund's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Guam Island Fair/Liberation Day Committee Fund, 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 Guam Island Fair/Liberation Day Committee Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Touche LLP

SECTION I - DEFICIENCIES

We identified, and have included below, deficiencies involving the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting as of December 31, 2012 that we wish to bring to your attention:

1. Ticket Sales

During test of the Queen's raffle tickets, the following were noted:

- a. A detailed report of final returned and unsold tickets was not provided. Further, the disposal process for unsold tickets was not evident.

We recommend that unsold and returned tickets be accounted for and that disposal of unsold tickets be documented.

- b. Of eight items examined:

- i. Returned tickets per the ticket reconciliation summary did not agree to ticket count sheets for five items.

- ii. The ticket count sheets for one item for certain ticket series (ticket series 1781 to 1800; 1801 to 1900; and 25001 to 26000) were not provided.

- iii. Notations and/or legends (i.e. color codes) on ticket count sheets were not defined.

We recommend that the ticket reconciliation summary be reconciled with the ticket count sheets and that discrepancies be investigated. We also recommend that all ticket count sheets be filed and that notations/legends in the ticket count sheets be defined.

Auditee Response: We have already corrected this procedure for 2013. The ticket sales policy and procedures have been put in place and all tickets and corresponding issuance and returns and sales are now properly documented and accounted for.

2. Concessions Receipts

Total concessions of \$460,832 per the concessions report differed from total receipts of \$458,413 per the bank statement (\$2,409 difference). A reconciliation was not provided.

We recommend that concession reports be reconciled to deposits.

Auditee Response: The difference of \$2,409 in deposits (over) receipts is due to the intake of additional four (4) late vendors who did not participate in the bid opening on March 19, 2012.

3. Disbursements

Of seventy-one disbursements tested aggregating \$413,437, the following were noted:

- a. Invoices, billings, contracts or equivalent for the following were not completely provided:

<u>Check #</u>	<u>Amount</u>	<u>Purpose</u>
3051	\$ 6,498	Airfare
3025	5,243	Airfare
2924	<u>4,445</u>	Airfare
	16,186	
With invoices	<u>8,063</u>	
Without invoices	\$ <u>8,123</u>	

SECTION I – DEFICIENCIES, CONTINUED

3. Disbursements, Continued

- b. Travel vouchers for the following per diem disbursements were not supported by travel documents (i.e. evidence of travel, trip report, travel authorization):

<u>Check #</u>	<u>Amount</u>
2928	\$ 2,157
2938	1,232
2969	924
3047	<u>924</u>
	\$ <u>5,237</u>

We recommend that all disbursements be supported by invoices, billings and other relevant documents. Further, we recommend that these documents be available on file.

Auditee Response: The three (3) checks were issued to the same individual and was tasked to provide receipts for the airfare. Airfare were paid through credit card of the check holder.

- a. We will request the return of \$8,123 to the Liberation Committee if receipts are not provided to the Liberation Committee by December 15, 2013.
 - b. Travel vouchers have been provided to the auditor on the identified checks for per diem issued.
4. Issuance of Form - 1099

Certain disbursements related to contractual and professional services; however, a Form-1099 was not issued.

We recommend that Form-1099 be issued for services paid in excess of \$600.

Auditee Response: We have appointed a member to be the exclusive responsible person to ensure that all 1099's are issued to all vendors paid in excess of \$600 for 2013. This issue will be resolved.

5. Travel Policies

Certain disbursements related to travel expenses (i.e., airfare, per diem, accommodation). Formal policies and procedures were not in place relating to travel related expenses.

We recommend that formal travel policies and procedures be established.

Auditee Response: We have established formal travel policies and procedures. We do expect all travelers to now adhere to the policies set in place.

6. Non-profit Filing Requirements with Revenue and Taxation

Relevant documents supporting the Fund's non-profit status were not provided.

We recommend that relevant documents supporting the Fund's non-profit status be available on file. Further, we recommend that the Fund comply with applicable Revenue and Tax filings.

Auditee Response: The Mayors' Council of Guam has now appointed a Non-Profit organization to sponsor, plan, and implement all Liberation Day activities beginning with 2013.

SECTION I – DEFICIENCIES, CONTINUED

7. Minutes of Meeting

Minutes of meetings were not provided except for the April 11, 2012 minutes.

We recommend that minutes of meetings be kept on file.

Auditee Response: We will ensure that all recordings of Committee meetings are transcribed in a timely manner so that it is available for inspection prior to an ensuing meeting.

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 the cash basis of accounting. 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 the cash basis of accounting).

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.



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November 21, 2013

The Guam Island Fair/Liberation Day Committee

Dear Sir/Madam:

We have performed an audit of the financial statement of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated November 21, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Guam Island Fair/Liberation Day Committee Fund is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under 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, have been described in our engagement letter dated April 12, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Guam Island Fair/Liberation Day Committee Fund's financial statement for the year ended December 31, 2012 in conformity with the cash basis of accounting;
- To report on the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2012 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statement that has been prepared by management is presented fairly, in all material respects, in conformity with the cash basis of accounting. The audit of the financial statement does not relieve management of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Guam Island Fair/Liberation Day Committee Fund's preparation and fair presentation of the financial statement in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. During the year ended December 31, 2012, we are not aware of any significant accounting estimates or management's judgments reflected in the Guam Island Fair/Liberation Day Committee Fund's financial statement.

SIGNIFICANT ACCOUNTING POLICIES

The Guam Island Fair/Liberation Day Committee Fund's significant accounting policies are set forth in Note 1 to the Guam Island Fair/Liberation Day Committee Fund's 2012 financial statement. During the year ended December 31, 2012, there were no significant changes in previously adopted accounting policies or their application.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Guam Island Fair/Liberation Day Committee Fund's 2012 financial statement.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2012.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Guam Island Fair/Liberation Day Committee Fund's management and staff and had unrestricted access to the Guam Island Fair/Liberation Day Committee Fund's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Guam Island Fair/Liberation Day Committee Fund's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Guam Island Fair/Liberation Day Committee Fund is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated November 21, 2013, containing certain matters involving the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters which was based upon the audit performed in accordance with *Government Auditing Standards*. Although we have included management's written responses to our comments contained in that report, such responses have not been subjected to the auditing procedures applied in our audit of the financial statement, and accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

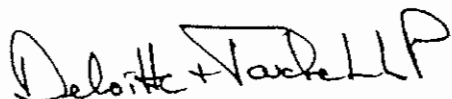
We have communicated to management, in a separate letter also dated November 21, 2013, deficiencies and other matters that we identified during our audit. Although we have included management's written responses to our comments contained in that report, such responses have not been subjected to the auditing procedures applied in our audit of the financial statement and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

* * * * *

This report is intended solely for the information and use of the management of the Mayors' Council of Guam, Guam Island Fair/Liberation Day Committee 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 wish to thank the staff and management of the Guam Island Fair/Liberation Day Committee Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Touche LLP



Mayors' Council of Guam

Konschelon Mahot Gudhan

November 21, 2013

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of deposits, disbursements and changes in cash of the Guam Island Fair/Liberation Day Committee Fund (the Fund) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statement presents fairly the cash position and results of operations of the Fund in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the financial statement of the cash position and results of operations of the Fund in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.
- b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statement referred to above is fairly presented in conformity with the basis of accounting described in note 1 to the financial statements.
2. The Fund has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Fund has provided you financial records and related data.
4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.



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APPENDIX I, CONTINUED

Deloitte & Touche LLP
November 21, 2013
Page 2

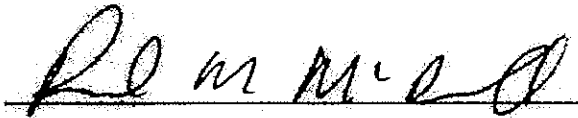
5. The Fund has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Fund and do not believe that the financial statements are materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Fund involving:
 - a. Management,
 - b. Employees who have significant roles in the Fund's internal control over financial reporting,
 - c. Others, if the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, former employees, regulators or others.

Except where otherwise stated below, matters less than \$5,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

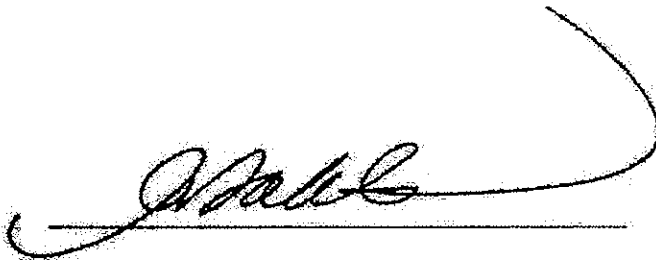
8. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
9. The Fund has no plans or intentions that may affect the carrying value or classification of assets and fund balances.
10. Regarding related parties:
 - a. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 - a. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
11. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you.
12. The Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. The Fund has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.

Deloitte & Touche LLP
November 21, 2013
Page 3

14. The Fund did not utilize legal services during the years ended December 31, 2012 and 2011, and to the date of this letter.
15. No events have occurred subsequent to December 31, 2012 but before November 21, 2013, the date the financial statement was available to be issued that would require adjustments to, or disclosures in, the financial statement.



Mayor Paul McDonald
President
Mayors' Council of Guam



Angel Sablan
Overall Chairperson
Liberation Day Committee



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INDEPENDENT AUDITORS' REPORT

The Executive Committee
Guam Island Fair/Liberation Day Committee:

Report on the Financial Statements

We have audited the accompanying financial statement of the Guam Island Fair/Liberation Day Committee Fund, which comprises the statements of deposits, disbursements and changes in cash as of December 31, 2012 and 2011 and for the years then ended, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash position of the Guam Island Fair/Liberation Day Committee Fund as of December 31, 2012 and 2011 and its cash deposits and disbursements for the years then ended, in accordance with the cash basis of accounting described in Note 1 to the financial statement.

Basis of Accounting

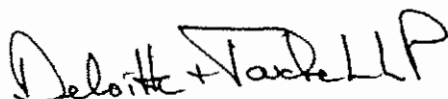
We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis-of-Matter

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the cash position and cash deposits and disbursements of the Guam Island Fair/Liberation Day Committee Fund and is not intended to present fairly the financial position and results of operations of the Mayors' Council of Guam in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting and compliance.



November 21, 2013

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Statements of Deposits, Disbursements and Changes in Cash
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Deposits:		
Concessions	\$ 458,413	\$ 431,924
Ticket sales	117,974	51,600
Sponsorships	18,300	49,500
Parade fees	-	4,900
Others	2,185	-
Unclassified	-	5,240
Total deposits	<u>596,872</u>	<u>543,164</u>
Disbursements:		
Materials, supplies and equipment	88,126	36,673
Commissions	87,741	13,851
Fireworks and light show	55,000	25,800
Travel and accommodation	50,928	35,299
Power and installation	41,131	30,000
Entertainment	39,813	43,088
Donations	39,000	-
Security services	37,418	32,144
Equipment rental	33,087	14,450
Carnival stage and lighting	30,800	20,500
Carnival and parade sound system	29,015	33,350
Prizes	27,036	36,051
Lavatory services	25,665	20,226
Food	18,575	9,273
Queen's coronation materials and designer fees	17,000	9,050
Queen's float materials and designer fees	13,641	24,504
Other services	13,305	10,200
Event sponsorships	10,000	9,150
Advertising and promotions	8,307	5,000
Printing	7,100	4,010
Carnival clean up	4,072	15,900
Permits and licenses	35	10,475
Miscellaneous	8,758	6,418
Unclassified	-	9,429
Total disbursements	<u>685,553</u>	<u>454,841</u>
(Deficiency) excess of deposits (under) over disbursements	(88,681)	88,323
Cash at beginning of year	<u>106,050</u>	<u>17,727</u>
Cash at end of year	<u>\$ 17,369</u>	<u>\$ 106,050</u>

See accompanying notes to the financial statement.

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Notes to the Financial Statement
Years Ended December 31, 2012 and 2011

(1) Organization and Summary of Significant Accounting Policies

Organization

Liberation Day, July 21, is the official Government of Guam holiday marking the anniversary of Guam's deliverance from Japanese occupation in 1944 and the inauguration of civil government in 1950. Title 1, Section 1012 of the Guam Code Annotated (GCA) combines the observance of Independence Day, July 4, and Liberation Day into a month-long celebration with memorials, tributes, a parade and carnival, and the crowning of a Liberation Day Queen. These activities are sponsored, planned, and arranged by the Liberation Day Committee. The Governor can either appoint a committee or designate a civic organization to administer these tasks.

The Mayors' Council of Guam (MCOG) was appointed to spearhead and take overall responsibility for the planning, coordinating and executing the Guam Island Fair/Liberation Day Festivities.

The accompanying financial statement relates solely to the activities of the Guam Island Fair/Liberation Day Committee Fund (the Fund) established under the MCOG and does not incorporate any other activities of the MCOG that may be accounted for by the MCOG.

Accounting Policies

The accompanying statements of deposits and disbursements and changes in cash have been prepared on the cash basis of accounting. Deposits are recognized when cash is received and disbursements are recorded when cash is disbursed.

Cash

The Fund considers cash to represent cash in a bank account. As of December 31, 2012 and 2011, cash was maintained with a financial institution subject to depository insurance with the Federal Deposit Insurance Corporation.

Subsequent Events

The Fund has identified November 21, 2013 as the date the financial statement is available to be issued and the date through which subsequent events have been evaluated. The Fund has not identified any subsequent events that required adjustment to, or disclosure in, the financial statement as of December 31, 2012.

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Notes to the Financial Statement
Years Ended December 31, 2012 and 2011

(2) Commissions

Commissions of \$87,741 and \$13,851 were paid during the years ended December 31, 2012 and 2011, respectively. Of this amount, \$38,000 and \$0 were paid during 2012 and 2011, respectively, to the MCOG pursuant to Title 1, Section 1013.1 of the GCA, which entitles the MCOG to 50% of the net proceeds from Liberation Day Festivities; and, \$49,741 and \$13,851 were paid to Liberation Day Queen candidates and sponsors during 2012 and 2011, respectively, based on a percentage of ticket sales as follows:

<u>Ticket Sales in Excess of \$1,000</u>	<u>Candidate's Share</u>	<u>Sponsor's Share</u>
\$1,001 to \$4,999	15%	15%
\$5,000 to \$9,999	20%	20%
\$10,000 and above	25%	25%

(3) Donations

Donations of \$39,000 and \$0 were paid during the years ended December 31, 2012 and 2011, respectively, to a non-profit organization pursuant to Title 1, Section 1013.2 of the GCA, which provides that 50% of the of the net proceeds from Liberation Day Festivities be donated to a charity or worthy public cause.

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

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

YEAR ENDED DECEMBER 31, 2012



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

The Liberation Day Committee
Guam Island Fair/Liberation Day Committee Fund

We have audited 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, the financial statement of the Guam Island Fair/Liberation Day Committee Fund, which comprises the statements of deposits, disbursements and changes in cash as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Guam Island Fair/Liberation Day Committee Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guam Island Fair/Liberation Day Committee Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2012-01 to be a material weakness.

Compliance and Other Matters

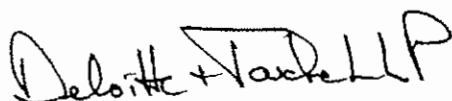
As part of obtaining reasonable assurance about whether the Guam Island Fair/Liberation Day Committee Fund's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as item 2012-02.

Guam Island Fair/Liberation Day Committee Fund's Response to Findings

The Guam Island Fair/Liberation Day Committee Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Guam Island Fair/Liberation Day Committee Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 21, 2013

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Schedule of Findings and Responses
Year Ended December 31, 2012

Finding No.: 2012-01
Area: Accounting and Financial Reporting Policies and Procedures

Criteria: Formal accounting and financial reporting policies and procedures should be in place.

Condition: Formal accounting and financial reporting policies and procedures are currently not in place. Financial statements were not prepared during 2012. While a disbursement ledger was compiled subsequent to December 31, 2012, a ledger was not maintained to account for receipts and disbursements throughout 2012. Further, a process of classifying and summarizing receipt and disbursement transactions to provide accurate financial statement reporting is not in place.

Cause: The cause of the above condition is the absence of formal accounting and financial reporting policies and procedures governing Liberation Day funds. This is heightened by the lack of an experienced accountant who can assist the Liberation Day Committee in recordkeeping and financial reporting.

Effect: The effect of the above condition is the potential negative perceptions associated with lack of accountability and transparency on Liberation Day funds.

Recommendation: We recommend that formal accounting and financial reporting policies and procedures be established and be documented. This should include but not be limited to policies and procedures relating to: (a) cash receipts; (b) cash disbursements; (c) document filing, (e) record retention, and (f) financial reporting, among others.

Further, we recommend preparation of periodic financial reports and that ledgers or an equivalent set of records be maintained. We also recommend that a process be established for classifying and summarizing receipts and disbursements for financial statement reporting purposes and that a formal chart of accounts be established.

We also recommend that the Liberation Day Committee continue with its initiative to obtain the services of an experienced accountant who can assist in the recordkeeping and financial reporting processes.

Prior Year Status: The absence of formal accounting and financial reporting policies and procedures was reported as a finding in the audits of the Liberation Day Committee Fund for 2011 and 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Angel R. Sablan, Executive Director

Response and Corrective Action Plan: We agree with the Auditors' findings. We have for 2013 contracted the services of a bookkeeper to ensure proper management and recordation of all income and expenditures. We have also maintained a separate file of all documents relating to the 2013 Liberation festivities so that findings from 2010 to 2012 are not repeated. We are confident this will not be an issue in future audits.

We will follow the recommendations as to periodic reports and ledgers and for classifying and summarizing receipts and disbursements.

Projected Completion Date: 2013

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02
Area: Compliance with Applicable Procurement Regulations

Criteria: Applicable procurement rules and regulations should be adhered to. Further, procurement records that detail the history of procurement, including the rationale behind the method of procurement chosen, selection of contract type, rationale for contract/bid selection or rejection, and basis for contract price should be maintained.

Further, pursuant to G.C.A. Title 1, Section 1013.6 the Guam Island Fair Committee's responsibilities include, but not limited to, overseeing that there is an open bidding process for goods/services that involve \$15,000 or more, pursuant to Guam procurement law, and that there are at least three (3) price quotes for goods/services of \$14,999 or less.

Condition: During tests of compliance with procurement rules and regulations, the following were noted:

1. Twenty-four (24) disbursements aggregating \$56,173 were not supported by procurement documents such as rationale for the method of procurement, vendor selection or rejection and the basis of price. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2914	\$ 3,850	Printing
2924	4,445	Airfare
2933	3,740	Equipment rental
2934	5,000	Queen's float materials
2940	1,636	Materials and supplies
2952	1,650	Equipment rental
2964	1,477	Equipment
2967	3,245	Equipment rental
2982	482	Materials and supplies
2984	2,970	Equipment rental
2995	278	Materials and supplies
3023	840	Materials and supplies
3025	5,243	Airfare
3051	6,498	Airfare
3055	82	Food
3072	1,440	Printing
3076	3,000	Queen's coronation materials
3104	240	Food
3135	673	Materials and supplies
3173	2,970	Equipment rental
3174	975	Materials and supplies
3199	3,200	Hotel accommodation
3233	429	Food
3270	<u>1,810</u>	Printing
	\$ <u>56,173</u>	

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02, Continued
Area: Compliance with Applicable Procurement Regulations

2. Four (4) disbursements aggregating \$40,429 involving projects/goods/services of \$15,000 or more were procured through the small purchase method. While the Liberation Committee did obtain quotes for the services, the total invoiced amount exceeded the threshold of \$15,000 which would have required a competitive bidding. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2992, 3170, 3290	\$ 19,000	Security services
3000	<u>21,249</u>	Lavatory services
	\$ <u>40,249</u>	

Cause: Compliance with applicable procurement rules and regulations appear to have not been strictly enforced to all applicable transactions.

Effect: The effect of the above condition is noncompliance with applicable procurement rules and regulations.

Recommendation: We recommend the Liberation Day Committee adhere to applicable procurement rules and regulations. Further, we recommend the Committee maintain procurement records that detail the history of procurement, including the rationale behind the method of procurement chosen, selection of contract type, rationale for contract/bid selection or rejection, and basis for contract price.

Prior Year Status: Noncompliance with applicable procurement rules and regulations was reported as a finding in the audits of the Liberation Day Committee Fund for 2011 and 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Angel R. Sablan, Executive Director

Response and Corrective Action Plan:

1. Justification for the procurement method used on the disbursements tested is as follows:

Printing: We used the same vendor as 2011 as they already had the template for the raffle tickets drafted and we did not have to pay additional fees for ticket design and layout. Additionally, the vendor chosen was the only one who could meet our time frame for delivery as reported by the Chairperson of the Raffle Committee at our Executive Committee meeting.

Airfare: The Liberation Committee had to go directly to the airline carrier (in this case - United Airlines) due to the fact that Travel Agencies were not able to procure or reserve tickets for the Queen and escorts (who were not yet named as of the time of ticket purchase). We opted to purchase tickets early to get better airfares and thus the only option was to go directly to the airline and United offered the best connections and fare.

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Schedule of Findings and Responses, Continued
Year Ended December 31, 2012

Finding No.: 2012-02, Continued
Area: Compliance with Applicable Procurement Regulations

Food: The Liberation Committee did not send out requests for quotes as the Liberation Committee opted to support the food vendors at the carnival, and thus all food purchased and procured for the Liberation Committee, the Queen's Committee, and the Parade Committee were purchased from the various food vendors at the Carnival. Every vendor was given an opportunity to provide food and drinks to the various Committees.

Hotel Accommodation: The Queen's Committee did obtain quotes for the Queen candidates and the vendor chosen was the lowest amongst all the quotes and had the room availability.

Materials and Supplies: The Logistics Committee and Concessions Committee did provide lists of materials to hardware and construction material vendors. The Committees chose the vendor that could provide a majority of the items needed, including delivery and discounts offered.

Equipment Rental: The Concessions Committee did do a telephonic request on quotes for the use of backhoes and operators and all vendors basically offered the same costs. The Committee chose the vendor closest to Tiyan to take advantage if the lower mobilization costs and the availability of the equipments needed.

2. We did issue requests for quotes for both items. However the Committee did not do an Invitation For Bid due to the fact that the Committee wanted to have the leeway to change the terms of the Security Services on a daily or weekly basis depending on need and activities at the Carnival Grounds. It is for this reason that we opted to ask for a "per man hour rate" rather than a total costs for the entire time of the Carnival. This allowed the Committee to change the number of guards needed and hours to be served. We also issued "Requests for Quotations" for for Portable Toilets based on the same reasoning for the Security services. This allowed the Committee to add or subtract the number of toilets needed based on crowd use and attendance and/or weather conditions.

Projected Completion Date: 2013

**GUAM ISLAND FAIR/LIBERATION DAY
COMMITTEE FUND**

Unresolved Prior Year Findings
Year Ended December 31, 2012

Unresolved Prior Year Findings

As of December 31, 2012, the status of all audit findings included in the Schedule of Findings and Responses as of December 31, 2011 is as follows:

Finding No. 2011-01 -- Not corrected. See corrective action plan to Finding No. 2012-01.

Finding No. 2011-02 -- Not corrected. See corrective action plan to Finding No. 2012-02.

Finding No. 2010-01 -- Not corrected. See corrective action plan to Finding No. 2012-01.

Finding No. 2010-02 -- Not corrected. See corrective action plan to Finding No. 2012-02.