



*I Mina'trentai dos na Liheslaturan Guåhan*  
**The 32nd GUAM LEGISLATURE**  
 Tel: (671) 472-3465 Fax: (671) 472-3547

**TO:** All Senators

**FROM:** Legislative Secretary, Tina Rose Muña Barnes

**SUBJECT:** 32nd Messages and Communications

Below is a list and attachments of Messages and Communications received pursuant to Rule 3, Section 3.01 of *I Mina'trentai dos na na Liheslaturan Guåhan* Standing Rules. These documents are available as well on our legislative website: [www.guamlegislature.com](http://www.guamlegislature.com).

Should you have any questions or concerns, please contact the Clerk's office at 472-3465/74.

Thank you

**TINA ROSE MUÑA BARNES**

*Via-Email*

32GL-13-411	2011 Guam Island Fair/Liberation Day Committee Fund audited Statement of Deposits and Disbursements and Changes in Cash, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance.	Office of Public Accountability
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OFFICE OF PUBLIC ACCOUNTABILITY  
Doris Flores Brooks, CPA, CGFM  
Public Auditor

2013 MAY 15 AM 9:36

May 13, 2013

Honorable Judith T. Won Pat, Ed.D.  
Speaker  
I Mina Trentai Dos Na Liheslaturan Guåhan  
155 Hesler Place  
Hagatna, Guam 96910

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the 2011 Guam Island Fair/ Liberation Day Committee Fund audited Statement of Deposits and Disbursements and Changes in Cash, 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](http://www.guamopa.org).

*Senseramente,*

Doris Flores Brooks, CPA, CGFM  
Public Auditor

RECEIPT ACKNOWLEDGED:

By: \_\_\_\_\_

Date: \_\_\_\_\_

GUAM LEGISLATURE  
CENTRAL FILES

ACKNOWLEDGEMENT RECEIPT

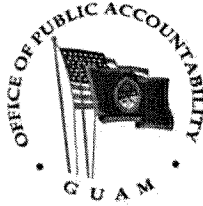
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Date: 5-14-13

32-13-411

Office of the Speaker  
Judith T. Won Pat, Ed. D.

Date: 5/10/13  
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## **2011 Guam Island Fair/ Liberation Day Committee Fund Financial Highlights**

May 13, 2013

The 2011 Guam Island Fair/Liberation Day Committee (LDC) Fund ended with \$106 thousand (K) in net proceeds. Although independent auditors, Deloitte & Touche, LLP expressed an unqualified opinion on 2011 LDC Funds statement of deposits and disbursements and changes in cash, there were significant internal control problems mainly the lack of receipts and the lack of documentation for disbursements. The inability to verify the classification of \$49K of deposits and \$33K of disbursements for the period from March 17, 2010 to December 31, 2010 still remains. These deficiencies were similar to those identified in the LDC 2010 audit that was issued in April 2012. Due to the April 2012 release, there was no time to take corrective action in the 2011 audit. Accordingly, it is anticipated that corrections and improvements will occur in the LDC 2012 audit that is on-going.

### **Liberation Day Committee Deposits**

Total 2011 LDC deposits amounted to \$543K, a \$162K or 43% increase from 2010. The 2011 receipts came from concessions of \$432K or 80%, ticket sales \$52K or 9%, and sponsorships of \$49K or 9%. Receipts were not issued for all funds received and ticket logs did not reconcile.

### **Liberation Day Committee Disbursements**

Total 2011 LDC disbursements amounted to \$455K, an \$84K or 23% increase from 2010. The top five overall disbursements were for: entertainment (\$43K); materials, supplies, and equipment (\$37K); prizes (\$36K); travel and accommodation (\$35K); and carnival and parade sound system (\$33K) followed by security services of \$32K. Based on limited testing, \$68K in disbursements did not have supporting documentation.

Commissions of \$14K were paid to the Liberation Day Queen candidates and their sponsors. After all expenses were paid, the 2011 Liberation net proceeds were \$106K. From this amount, \$38K was paid to the Mayors Council of Guam in 2012 and \$39K was donated to RIGALU Foundation, a non-profit organization. The balance of \$29K was set aside as seed capital for the 2012 Liberation.

### **Report on Compliance and on Internal Control and Management Letter**

The same findings in the LDC 2010 audit were identified in the 2011 Report on Compliance and Internal Control, one material weakness due to the lack of formal accounting policies and one an instance of noncompliance with procurement procedures. Details are as follows:

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

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**STATEMENTS OF DEPOSITS AND DISBURSEMENTS  
AND CHANGES IN CASH  
AND INDEPENDENT AUDITORS' REPORT**

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**FOR THE YEAR ENDED DECEMBER 31, 2011 AND  
THE PERIOD FROM MARCH 17, 2010 TO  
DECEMBER 31, 2010**



Deloitte & Touche LLP  
361 S. Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

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## INDEPENDENT AUDITORS' REPORT

The Executive Committee  
Guam Island Fair/Liberation Day Committee

We have audited the accompanying statements of deposits and disbursements and changes in cash of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010. These financial statements are the responsibility of the Mayors' Council of Guam's management. Our responsibility is to express an opinion on these financial statements based on our audits.

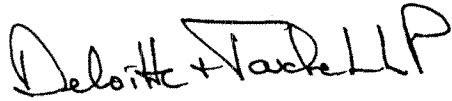
Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of 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 express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to verify the classification of \$48,874 of deposits and \$32,683 of disbursements for the period from March 17, 2010 to December 31, 2010.

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the financial statements referred to above present only the cash receipts and disbursements of the Guam Island Fair/Liberation Day Committee Fund and are 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.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the classification of certain deposits and disbursements for the period March 17, 2010 to December 31, 2010, such financial statements present fairly, in all material respects, the cash deposits and disbursements of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 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* and should be considered in assessing the results of our audit.

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

May 2, 2013

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

Statements of Deposits and Disbursements and Changes in Cash  
For the Year Ended December 31, 2011 and for the Period  
from March 17, 2010 to December 31, 2010

	<u>2011</u>	<u>2010</u>
Deposits:		
Concessions	\$ 431,924	\$ 240,775
Ticket sales	51,600	88,885
Sponsorships	49,500	-
Parade fees	4,900	2,575
Unclassified	5,240	48,874
Total deposits	<u>543,164</u>	<u>381,109</u>
Disbursements:		
Entertainment	43,088	15,375
Materials, supplies and equipment	36,673	10,121
Prizes	36,051	18,800
Travel and accommodation	35,299	16,887
Carnival and parade sound system	33,350	21,000
Security services	32,144	21,399
Power and installation	30,000	40,786
Fireworks and light show	25,800	32,701
Queen's float materials and designer fees	24,504	2,711
Carnival stage and lighting	20,500	10,000
Lavatory services	20,226	10,770
Carnival clean up	15,900	7,600
Equipment rental	14,450	7,144
Commissions	13,851	80,790
Permits and licenses	10,475	4,170
Other services	10,200	11,000
Food	9,273	6,358
Events sponsorships	9,150	-
Queen's coronation designer fees	9,050	-
Advertising and promotions	5,000	-
Printing	4,010	-
Concession refunds	-	10,205
Miscellaneous	6,418	10,766
Unclassified	9,429	32,683
Total disbursements	<u>454,841</u>	<u>371,266</u>
Excess of deposits over disbursements	88,323	9,843
Cash at beginning of period	<u>17,727</u>	<u>7,884</u>
Cash at end of period	<u>\$ 106,050</u>	<u>\$ 17,727</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

For the Year Ended December 31, 2011 and for the Period from March 17, 2010 to December 31, 2010

(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 (G.C.A.) 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 2011 and 2010 Guam Island Fair/Liberation Day Festivities pursuant to Executive Orders No. 2011-4 issued on February 2, 2011 and No. 2010-10 issued on March 17, 2010, respectively.

The accompanying financial statements relate 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 have been prepared on a cash basis of accounting. Deposits are recognized when cash is received and disbursements are recorded when cash is disbursed.

Commissions

Commissions of \$13,851 and \$80,790 were paid during the year ended December 31, 2011 and the period March 17, 2010 to December 31, 2010, respectively. Of this amount, \$0 and \$50,000 were paid during 2011 and 2010, respectively, to MCOG pursuant to G.C.A. Title 1, Section 1013.1(c), which entitles the sponsoring organization to 50% of the net proceeds from Liberation Day Festivities; and, \$13,851 and \$30,790 were paid to Liberation Day Queen candidates and sponsors during 2011 and 2010, 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%

Cash

The Fund considers cash to represent cash in bank account. As of December 31, 2011 and 2010, a cash balance was maintained with a financial institution subject to depository insurance with the Federal Deposit Insurance Corporation.



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

Notes to Financial Statements  
For the Year Ended December 31, 2011 and for the Period from March 17, 2010 to December 31, 2010

(1) Organization and Summary of Significant Accounting Policies, Continued

Reclassifications

Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation.

Subsequent Events

The Fund has identified May 2, 2013 as the date the financial statements are 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 statements as of December 31, 2011.



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361 S. Marine Corps Drive  
Tamuning, GU 96913-3911  
USA

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Fax: 1-671-649-4932  
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May 2, 2013

The Liberation Day Committee

Dear Sir/Madam:

We have performed an audit of the financial statement of the Guam Island Fair / Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 2, 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 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 June 26, 2012. 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 Fund's financial statement for the year ended December 31, 2011 in conformity with the cash basis of accounting;
- To report on the 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, 2011 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 statements that have been prepared by management are presented fairly, in all material respects, in conformity with the cash basis of accounting. The audit of the financial statements does not relieve management of their responsibilities.

We considered the 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Office of the Speaker  
Judith T. Won Pat, Ed. D.  
Date 5/18/13  
Time 8:10 AM  
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## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements 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, 2011, we are not aware of any significant accounting estimates or management's judgments reflected in the Fund's financial statement.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Fund's significant accounting policies are set forth in Note 1 to the Fund's 2011 financial statement.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Fund's 2011 financial statement.

## **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 2011.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the Fund's management about the representations embodied in the financial statement. Additionally, we have requested that management provide to us the written representations the 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.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION**

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions 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 Fund's management and staff and had unrestricted access to the Fund's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated May 2, 2013, on the 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.

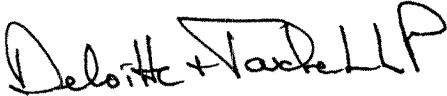
We have communicated to management, in a separate letter also dated May 2, 2013, deficiencies and other matters that we identified during our audit.

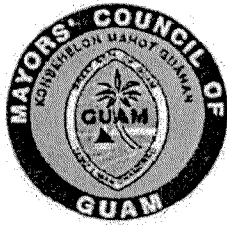
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This report is intended solely for the information and use of the management of Mayors' Council of Guam, Liberation Day Committee and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the Fund 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, stylized font.



# *Mayors' Council of Guam*

## *Konshelon Mahot Guahan*

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May 2, 2013

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of deposits and disbursements and changes in cash of the Guam Island/Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the results of operations of the Fund prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than 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 results of operations of the Fund prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.
- b. The design and implementation 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.



P. O. Box 786, Hagåtña, Guam 96932  
 Office: (671) 472-6940, 477-8461 • Fax: (671) 477-8777  
 E-mail: mcogadmin@telaguam.net

1. Except for the effect of adjustments, if any, as might have been determined to be necessary had you been able to determine the classification of certain deposits of \$48,874 and disbursements of \$32,683 for the period from March 17, 2010 to December 31, 2010, the financial statements referred to above are fairly presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. In addition, the financial statements present only the cash receipts and disbursements of the Fund administered by the Mayors' Council of Guam and are not intended to present fairly the financial position and results of operations of the Mayors' Council of Guam in conformity with GAAP.
2. The Mayors' Council of Guam has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
  - a. Financial records and related data for all financial transactions of the Fund and for all funds administered by the Mayors' Council of Guam pertaining to the Fund. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Mayors' Council of Guam pertaining to the Fund and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - b. Minutes of meetings of the Liberation Day Committee or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There has been no:
  - a. Action taken by Mayors' Council of Guam management that contravenes the provisions of federal laws and local laws and regulations, or of contracts and grants applicable to the Fund.
  - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
4. The Mayors' Council of Guam has not performed a risk assessment, including the assessment of the risk that the financial statement 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.
5. We have no knowledge of any fraud or suspected fraud affecting the Fund involving (1) management, (2) employees who have significant roles in the Fund's internal control over financial reporting, or (3) others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, former employees or others.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*). During the year ended December 31, 2011 and up to the date of this letter, the Mayors' Council of Guam did not utilize the services of legal counsel representing litigation, claims and assessments concerning the Fund. As such, there are no matters that exist that require adjustments to, or disclosure in, the financial statements at December 31, 2011.
9. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

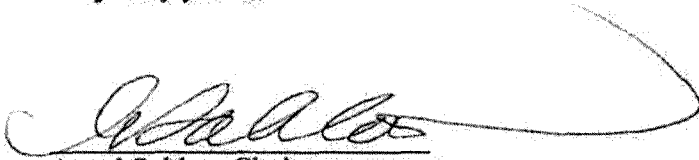
Except where otherwise stated below, matters less than \$5,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial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

10. There are no transactions that have not been properly recorded in the accounting records underlying the financial statement.
11. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
  - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which the Fund is contingently liable.
12. The Mayors' Council of Guam has satisfactory title to all owned assets associated with the Fund, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. The Mayors' Council of Guam has complied with all aspects of contractual agreements associated with the Fund that may have an effect on the financial statements in the event of noncompliance.
14. No department or agency of the Mayors' Council of Guam has reported a material instance of noncompliance to us associated with the Fund.
15. 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. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

Deloitte & Touche LLP  
May 2, 2013  
Page 4

16. No events have occurred after December 31, 2011 but before May 2, 2013, the date the financial statement was available to be issued that require adjustment to, or disclosure in, the financial statements.

Very truly yours,



Angel Sablan, Chairperson  
Liberation Day Festivities



June Blas, Treasurer  
Liberation Day Festivities





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May 2, 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 (the Fund) for the year ended December 31, 2011 (on which we have issued our report dated May 2, 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 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Fund's internal control over financial reporting and other matters as of December 31, 2011 that we wish to bring to your attention.

We have also issued a separate report to the Liberation Day Committee, also dated May 2, 2013 on our consideration of the 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 Liberation Day Committee's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Liberation Day Committee'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 Liberation Day Committee for their cooperation and assistance during the course of this engagement.

Very truly yours,

Deloitte + Tatchell 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, 2011 that we wish to bring to your attention:

**1. Ticket Sales**

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

- a. While a certification was prepared that all unsold tickets were accounted for and disposed of, a detailed report of final returned and unsold tickets was not provided.

We recommend that unsold and returned tickets be accounted for.

- b. Monitoring of ticket issuance was not evident. While a ticket log was provided, the log was compiled based on final ticket summary reports by candidate/sponsor. Based on the ticket log, the following ticket numbers have not been issued: 3004 to 4004; 20801 to 21000; 21001 to 23000; and 23001 to 25000. However, since a report of unsold and returned tickets was not provided, it is not possible to verify whether these tickets were not issued and whether there were tickets returned that were subsequently reissued.

We recommend ticket issuance be monitored and documented.

- c. Of six items examined:

- i. Returned tickets per the ticket reconciliation summary did not agree to ticket count sheets for one item.
- ii. Returned tickets and/or unaccounted tickets cannot be distinguished in the ticket count sheets for five items.
- iii. Ticket sales per the reconciliation summary of \$38,035 did not agree to deposits traced to bank statements of \$37,340 (\$695 difference). A reconciliation was not provided.

We recommend that the ticket reconciliation summary be reconciled with the ticket count sheets and that discrepancies be investigated. We also recommend that returned tickets and unaccounted tickets be identified in the ticket count sheets.

- d. Total ticket sales of \$52,279 per the ticket sales report differed from total receipts of \$51,600 per the bank statement (\$679 difference). A reconciliation was not provided.

We recommend that ticket sales reports be reconciled to deposits.

Auditee Response: The Overall Chairperson has both verbally and in writing advised the chairperson of this Committee of the noted deficiencies and to properly and accurately account for all tickets disbursed, tickets returned, tickets sold and unsold and to reconcile all ticket sales reports to bank deposits. We have ensured that all ticket distributions and collections are monitored and accurately recorded and all through a single source or office.

## SECTION I – DEFICIENCIES, CONTINUED

2. Receipts

During tests of receipts, the following were noted:

- a. Total sponsorship receipts of \$55,000 per the Solicitation Committee's report did not agree to actual deposits of \$49,500 (\$5,500 difference). A reconciliation was not provided.
- b. Total concessions deposited and reported by the Concessions Committee were \$431,924; however this balance was not supported by a detailed report, cash receipts log or equivalent records.
- c. Total receipts of \$5,240 were unclassified. Insufficient information was available to determine classification of these receipts.

We recommend that receipts be issued for all funds received, regardless of activity or amount. In the event that this process becomes impracticable, we recommend that a cash receipts log or an equivalent record be maintained to track funds received. The log/record should contain information as to source, nature and amount of funds received.

Auditee Response: The Overall Chairperson has advised the Concessions Chairperson and the Corporate Sponsors Chairperson in writing and verbally to keep accurate records of all monies received so they may easily reconciled with bank statements and deposits. We understand from the Concession Chairperson that an activity log of income is kept and that all deposits have been reconciled for 2011. We will follow the recommendation of the auditor to provide receipts for all cash activity and in lieu thereof, provide a log or record sheet of all transactions.

3. Disbursements

Of fifty-three disbursements tested aggregating \$256,581, the following were noted:

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

<u>Check #</u>	<u>Amount</u>
2625	\$ 396
2580	540
2592	<u>1,563</u>
	\$ <u>2,499</u>

- b. The following checks cleared the bank, however, the bank statements which have the image copy of the check were not provided:

<u>Check #</u>	<u>Amount</u>
2604	\$ 287
2609	9,125
2611	10,000
2614	820
2625	3,960
2628	10,301
2649	3,000
2650	15,792
2654	<u>3,000</u>
	\$ <u>56,285</u>

**SECTION I – DEFICIENCIES, CONTINUED**

3. Disbursements, Continued

c. One \$9,125 item (check #2870) did not agree to the corresponding invoice (06222030-RK).

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: While 3 tested invoices were not provided, as one of the co-signers of all checks written, I can assure the auditors that all checks that were written were made because of an invoice that was submitted for payment. The checks that have cleared the bank but had no image copies is being researched by the bank but we also assure that the check register and payee we have will correspond to the checks cleared by the bank. Item c. was an error but resulted in no overcharge to the Liberation Committee. In fact, it was \$25 less than the actual invoice but the vendor did not request for the additional amount. We will insure that all invoices are made available and kept on file. We have developed a system to have the Committee keep the original documents and a backup copy of all invoices and billings be simultaneously kept by the Executive Director's secretary.

4. Disbursements Ledger

Total disbursements per the ledger of \$478,116 did not agree to total disbursements per bank of \$455,266 (\$22,850 difference). A reconciliation was not provided.

We recommend that disbursements per ledger and per bank be reconciled monthly.

Auditee Response: This may be caused by the fact that some checks were voided due to errors and were not reflected on the ledgers. We do have several checks that were not claimed by raffle ticket winners. With the bookkeeper on board, we are now able to have ledgers and bank statements reconciled monthly.

5. Disbursements – Bank Statements

Bank statements were not provided for the following:

- a. Bank Pacific Queen's account from January 2011 through December 2011. As of December 31, 2010, this account had a balance of \$1,083.
- b. Guam Island Fair Account for the period June 19, 2011 through June 26, 2011.

We recommend that all bank statements be available on file.

Auditee Response: Duly noted and will be complied with.

6. 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: Duly noted and will be compiled with the 2013 Guam Island Fair.

**SECTION I – DEFICIENCIES, CONTINUED**

7. 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: Duly noted and will be formalized into a policy.

8. 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: Duly noted and will be complied with. The Mayors' Council of Guam will establish a separate non-profit entity that will be registered with Department of Revenue and Taxation to sponsor the 2013 Guam Island Fair.

9. Minutes of Meeting

Minutes of the May 12, 2011 meeting were not provided.

We recommend that minutes of meetings be kept on file.

Auditee Response: Duly noted and will be complied with.

**SECTION II – DEFINITIONS**

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *deficiency* 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.

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

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

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**YEAR ENDED DECEMBER 31, 2011**





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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 the financial statement of the Guam Island Fair/Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011, and have issued our report thereon dated May 2, 2013. Our report includes an explanatory paragraph that the financial statement was prepared on the cash basis of accounting and is not intended to present the financial position and results of operations of the Mayors' Council of Guam. 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.

**Internal Control Over Financial Reporting**

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 statements 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 2011-1 to be a material weakness.

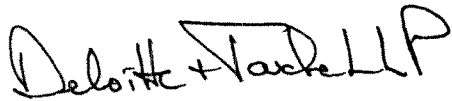
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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 2011-2.

We noted certain matters that we reported to management of the Fund in a separate letter dated May 2, 2013.

The Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Fund's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayors' Council of Guam, Liberation Day Committee, 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.

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

May 2, 2013

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

Schedule of Findings and Responses  
Year Ended December 31, 2011

Finding No.: 2011-1  
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 2011. While a disbursement ledger was compiled subsequent to December 31, 2011, a ledger was not maintained to account for receipts and disbursements throughout 2011. 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 audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Mayor June Blas

Response and Corrective Action Plan: We agree with the findings and recommendation. We have secured the services of an experienced bookkeeper who will be responsible in preparing financial reports and compiling all data on income and expenditures. This recommendation will cover the 2013 Guam Island Fair. We will procure a Quickbooks Multi User software for use of all future Liberation Committees.

Projected Completion Date: Done (except for Purchase of Quickbooks software)

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

Schedule of Findings and Responses, Continued  
Year Ended December 31, 2011

Finding No.: 2011-2  
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 Executive 2011-4, the Guam Island Fair Executive 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. Eighteen (18) disbursements aggregating \$49,639 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>
2592	\$ 1,563	Airfare
2628, 2690	12,821	Airfare
2654, 2793, 2875	9,900	Carnival cleanup fees
2775	2,400	Hotel accommodations
2595	4,441	Materials and supplies
2604, 2661	579	Materials and supplies
2673	1,055	Materials and supplies
2614	820	Materials and supplies
2649, 2744	5,750	Queen's coronation designer fees
2831, 2874	5,200	Queen's float designer fees
2710	1,100	Security services
2582	<u>4,010</u>	Ticket printing
	<u>\$ 49,639</u>	

2. One \$3,620 disbursement for hotel accommodations (check #2772) was supported by less than three price quotes.
3. Four (4) disbursements aggregating \$42,326 involving projects/goods/services of \$15,000 or more were subjected to small purchase instead of competitive bidding. Further, procurement was supported by less than three price quotes. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2669, 2742, 2880	\$ 26,534	Security services
2650	<u>15,792</u>	Lavatory services
	<u>\$ 42,326</u>	

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

Schedule of Findings and Responses, Continued  
Year Ended December 31, 2011

Finding No.: 2011-2, Continued  
Area: Compliance with Applicable Procurement Regulations

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 audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Persons: Mayor Robert Hoffmann and Executive Director Angel Sablan

Response and Corrective Plan: We agree with the findings and recommendation. For the 2013 Guam Island Fair, we have established template forms (to be used by various committee chairs in the procurement of items and services that are under the jurisdiction of such committee. While we realize that some procurement goes to a sole source or less than the three (3) due to a lack of vendors dealing with such services, i.e., fireworks, sound system rental for extended periods, we still exercise efforts to look for and seek out vendors. Additionally, our selection of certain vendors is based on our history with such vendor in providing the requested items and/or services for the Guam Island Fair. We have also scheduled a Procurement Training Course being facilitated by the Office of the Attorney General on May 29, 2013 that will be attended by Mayors and Vice Mayors and their staff dealing with procurement duties.

Projected Completion Date: Done.

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

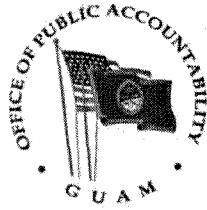
Unresolved Prior Year Findings  
Year Ended December 31, 2011

Unresolved Prior Year Findings

As of December 31, 2011, the status of all audit findings included in the Schedule of Findings and Responses as of December 31, 2010 is as follows:

Finding No. 2010-01 – Not corrected. See corrective action plan to Finding No. 2011-1.

Finding No. 2010-02 – Not corrected. See corrective action plan to Finding No. 2011-2.



## 2011 Guam Island Fair/ Liberation Day Committee Fund Financial Highlights

May 13, 2013

The 2011 Guam Island Fair/Liberation Day Committee (LDC) Fund ended with \$106 thousand (K) in net proceeds. Although independent auditors, Deloitte & Touche, LLP expressed an unqualified opinion on 2011 LDC Funds statement of deposits and disbursements and changes in cash, there were significant internal control problems mainly the lack of receipts and the lack of documentation for disbursements. The inability to verify the classification of \$49K of deposits and \$33K of disbursements for the period from March 17, 2010 to December 31, 2010 still remains. These deficiencies were similar to those identified in the LDC 2010 audit that was issued in April 2012. Due to the April 2012 release, there was no time to take corrective action in the 2011 audit. Accordingly, it is anticipated that corrections and improvements will occur in the LDC 2012 audit that is on-going.

### Liberation Day Committee Deposits

Total 2011 LDC deposits amounted to \$543K, a \$162K or 43% increase from 2010. The 2011 receipts came from concessions of \$432K or 80%, ticket sales \$52K or 9%, and sponsorships of \$49K or 9%. Receipts were not issued for all funds received and ticket logs did not reconcile.

### Liberation Day Committee Disbursements

Total 2011 LDC disbursements amounted to \$455K, an \$84K or 23% increase from 2010. The top five overall disbursements were for: entertainment (\$43K); materials, supplies, and equipment (\$37K); prizes (\$36K); travel and accommodation (\$35K); and carnival and parade sound system (\$33K) followed by security services of \$32K. Based on limited testing, \$68K in disbursements did not have supporting documentation.

Commissions of \$14K were paid to the Liberation Day Queen candidates and their sponsors. After all expenses were paid, the 2011 Liberation net proceeds were \$106K. From this amount, \$38K was paid to the Mayors Council of Guam in 2012 and \$39K was donated to RIGALU Foundation, a non-profit organization. The balance of \$29K was set aside as seed capital for the 2012 Liberation.

### Report on Compliance and on Internal Control and Management Letter

The same findings in the LDC 2010 audit were identified in the 2011 Report on Compliance and Internal Control, one material weakness due to the lack of formal accounting policies and one an instance of noncompliance with procurement procedures. Details are as follows:

Office of the Speaker  
Judith T. Won Pat, S.S., Q.  
Date 5/13/13  
Time 8:00 AM  
Received by Fault

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

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**STATEMENTS OF DEPOSITS AND DISBURSEMENTS  
AND CHANGES IN CASH  
AND INDEPENDENT AUDITORS' REPORT**

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**FOR THE YEAR ENDED DECEMBER 31, 2011 AND  
THE PERIOD FROM MARCH 17, 2010 TO  
DECEMBER 31, 2010**





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## INDEPENDENT AUDITORS' REPORT

The Executive Committee  
Guam Island Fair/Liberation Day Committee

We have audited the accompanying statements of deposits and disbursements and changes in cash of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010. These financial statements are the responsibility of the Mayors' Council of Guam's management. Our responsibility is to express an opinion on these financial statements based on our audits.

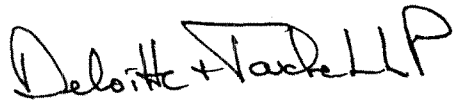
Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of 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 express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to verify the classification of \$48,874 of deposits and \$32,683 of disbursements for the period from March 17, 2010 to December 31, 2010.

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the financial statements referred to above present only the cash receipts and disbursements of the Guam Island Fair/Liberation Day Committee Fund and are 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.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to determine the classification of certain deposits and disbursements for the period March 17, 2010 to December 31, 2010, such financial statements present fairly, in all material respects, the cash deposits and disbursements of the Guam Island Fair/Liberation Day Committee Fund for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 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* and should be considered in assessing the results of our audit.

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

May 2, 2013

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

Statements of Deposits and Disbursements and Changes in Cash  
For the Year Ended December 31, 2011 and for the Period  
from March 17, 2010 to December 31, 2010

	<u>2011</u>	<u>2010</u>
Deposits:		
Concessions	\$ 431,924	\$ 240,775
Ticket sales	51,600	88,885
Sponsorships	49,500	-
Parade fees	4,900	2,575
Unclassified	5,240	48,874
Total deposits	<u>543,164</u>	<u>381,109</u>
Disbursements:		
Entertainment	43,088	15,375
Materials, supplies and equipment	36,673	10,121
Prizes	36,051	18,800
Travel and accommodation	35,299	16,887
Carnival and parade sound system	33,350	21,000
Security services	32,144	21,399
Power and installation	30,000	40,786
Fireworks and light show	25,800	32,701
Queen's float materials and designer fees	24,504	2,711
Carnival stage and lighting	20,500	10,000
Lavatory services	20,226	10,770
Carnival clean up	15,900	7,600
Equipment rental	14,450	7,144
Commissions	13,851	80,790
Permits and licenses	10,475	4,170
Other services	10,200	11,000
Food	9,273	6,358
Events sponsorships	9,150	-
Queen's coronation designer fees	9,050	-
Advertising and promotions	5,000	-
Printing	4,010	-
Concession refunds	-	10,205
Miscellaneous	6,418	10,766
Unclassified	9,429	32,683
Total disbursements	<u>454,841</u>	<u>371,266</u>
Excess of deposits over disbursements	88,323	9,843
Cash at beginning of period	<u>17,727</u>	<u>7,884</u>
Cash at end of period	<u>\$ 106,050</u>	<u>\$ 17,727</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

For the Year Ended December 31, 2011 and for the Period from March 17, 2010 to December 31, 2010

(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 (G.C.A.) 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 2011 and 2010 Guam Island Fair/Liberation Day Festivities pursuant to Executive Orders No. 2011-4 issued on February 2, 2011 and No. 2010-10 issued on March 17, 2010, respectively.

The accompanying financial statements relate 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 have been prepared on a cash basis of accounting. Deposits are recognized when cash is received and disbursements are recorded when cash is disbursed.

Commissions

Commissions of \$13,851 and \$80,790 were paid during the year ended December 31, 2011 and the period March 17, 2010 to December 31, 2010, respectively. Of this amount, \$0 and \$50,000 were paid during 2011 and 2010, respectively, to MCOG pursuant to G.C.A. Title 1, Section 1013.1(c), which entitles the sponsoring organization to 50% of the net proceeds from Liberation Day Festivities; and, \$13,851 and \$30,790 were paid to Liberation Day Queen candidates and sponsors during 2011 and 2010, 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%

Cash

The Fund considers cash to represent cash in bank account. As of December 31, 2011 and 2010, a cash balance was maintained with a financial institution subject to depository insurance with the Federal Deposit Insurance Corporation.

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

Notes to Financial Statements

For the Year Ended December 31, 2011 and for the Period from March 17, 2010 to December 31, 2010

(1) Organization and Summary of Significant Accounting Policies, Continued

Reclassifications

Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation.

Subsequent Events

The Fund has identified May 2, 2013 as the date the financial statements are 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 statements as of December 31, 2011.

May 2, 2013

The Liberation Day Committee

Dear Sir/Madam:

We have performed an audit of the financial statement of the Guam Island Fair / Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 2, 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 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 June 26, 2012. 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 Fund's financial statement for the year ended December 31, 2011 in conformity with the cash basis of accounting;
- To report on the 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, 2011 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 statements that have been prepared by management are presented fairly, in all material respects, in conformity with the cash basis of accounting. The audit of the financial statements does not relieve management of their responsibilities.

We considered the 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Office of the Speaker  
Judith T. Won Pat, Ed. D.  
Date 5/15/13  
Time 8:10 AM  
Received by Faith

## **ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements 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, 2011, we are not aware of any significant accounting estimates or management's judgments reflected in the Fund's financial statement.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Fund's significant accounting policies are set forth in Note 1 to the Fund's 2011 financial statement.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Fund's 2011 financial statement.

## **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 2011.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the Fund's management about the representations embodied in the financial statement. Additionally, we have requested that management provide to us the written representations the 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.

## **MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION**

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions 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 Fund's management and staff and had unrestricted access to the Fund's senior management in the performance of our audit.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated May 2, 2013, on the 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.

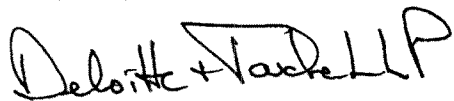
We have communicated to management, in a separate letter also dated May 2, 2013, deficiencies and other matters that we identified during our audit.

\* \* \* \* \*

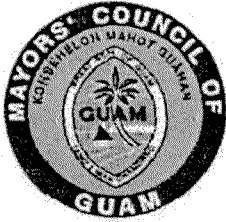
This report is intended solely for the information and use of the management of Mayors' Council of Guam, Liberation Day Committee and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the Fund for their cooperation and assistance during the course of this engagement.

Very truly yours,

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





*Mayors' Council of Guam*  
*Konshelon Mahot Guahan*

---

May 2, 2013

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

Gentlemen:

We are providing this letter in connection with your audits of the statements of deposits and disbursements and changes in cash of the Guam Island/Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011 and for the period from March 17, 2010 to December 31, 2010 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the results of operations of the Fund prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than 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 results of operations of the Fund prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.
- b. The design and implementation 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.



P. O. Box 786, Hagåtña, Guam 96932  
 Office: (671) 472-6940, 477-8461 • Fax: (671) 477-8777  
 E-mail: mcogadmin@teleguam.net

1. Except for the effect of adjustments, if any, as might have been determined to be necessary had you been able to determine the classification of certain deposits of \$48,874 and disbursements of \$32,683 for the period from March 17, 2010 to December 31, 2010, the financial statements referred to above are fairly presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. In addition, the financial statements present only the cash receipts and disbursements of the Fund administered by the Mayors' Council of Guam and are not intended to present fairly the financial position and results of operations of the Mayors' Council of Guam in conformity with GAAP.
2. The Mayors' Council of Guam has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:
  - a. Financial records and related data for all financial transactions of the Fund and for all funds administered by the Mayors' Council of Guam pertaining to the Fund. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Mayors' Council of Guam pertaining to the Fund and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - b. Minutes of meetings of the Liberation Day Committee or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There has been no:
  - a. Action taken by Mayors' Council of Guam management that contravenes the provisions of federal laws and local laws and regulations, or of contracts and grants applicable to the Fund.
  - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
4. The Mayors' Council of Guam has not performed a risk assessment, including the assessment of the risk that the financial statement 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.
5. We have no knowledge of any fraud or suspected fraud affecting the Fund involving (1) management, (2) employees who have significant roles in the Fund's internal control over financial reporting, or (3) others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund received in communications from employees, former employees or others.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies* (formerly FASB Statement No. 5, *Accounting for Contingencies*). During the year ended December 31, 2011 and up to the date of this letter, the Mayors' Council of Guam did not utilize the services of legal counsel representing litigation, claims and assessments concerning the Fund. As such, there are no matters that exist that require adjustments to, or disclosure in, the financial statements at December 31, 2011.
9. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

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.

10. There are no transactions that have not been properly recorded in the accounting records underlying the financial statement.
11. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
  - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
  - b. Guarantees, whether written or oral, under which the Fund is contingently liable.
12. The Mayors' Council of Guam has satisfactory title to all owned assets associated with the Fund, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. The Mayors' Council of Guam has complied with all aspects of contractual agreements associated with the Fund that may have an effect on the financial statements in the event of noncompliance.
14. No department or agency of the Mayors' Council of Guam has reported a material instance of noncompliance to us associated with the Fund.
15. 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. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

Deloitte & Touche LLP

May 2, 2013

Page 4

16. No events have occurred after December 31, 2011 but before May 2, 2013, the date the financial statement was available to be issued that require adjustment to, or disclosure in, the financial statements.

Very truly yours,



Angel Sablan, Chairperson  
Liberation Day Festivities



June Blas, Treasurer  
Liberation Day Festivities



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361 S. Marine Corps Drive  
Tamuning, GU 96913-3911  
USA  
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www.deloitte.com

May 2, 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 (the Fund) for the year ended December 31, 2011 (on which we have issued our report dated May 2, 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 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Fund's internal control over financial reporting and other matters as of December 31, 2011 that we wish to bring to your attention.

We have also issued a separate report to the Liberation Day Committee, also dated May 2, 2013 on our consideration of the 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 Liberation Day Committee's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Liberation Day Committee'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 Liberation Day Committee 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, 2011 that we wish to bring to your attention:

**1. Ticket Sales**

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

- a. While a certification was prepared that all unsold tickets were accounted for and disposed of, a detailed report of final returned and unsold tickets was not provided.

We recommend that unsold and returned tickets be accounted for.

- b. Monitoring of ticket issuance was not evident. While a ticket log was provided, the log was compiled based on final ticket summary reports by candidate/sponsor. Based on the ticket log, the following ticket numbers have not been issued: 3004 to 4004; 20801 to 21000; 21001 to 23000; and 23001 to 25000. However, since a report of unsold and returned tickets was not provided, it is not possible to verify whether these tickets were not issued and whether there were tickets returned that were subsequently reissued.

We recommend ticket issuance be monitored and documented.

- c. Of six items examined:

- i. Returned tickets per the ticket reconciliation summary did not agree to ticket count sheets for one item.
- ii. Returned tickets and/or unaccounted tickets cannot be distinguished in the ticket count sheets for five items.
- iii. Ticket sales per the reconciliation summary of \$38,035 did not agree to deposits traced to bank statements of \$37,340 (\$695 difference). A reconciliation was not provided.

We recommend that the ticket reconciliation summary be reconciled with the ticket count sheets and that discrepancies be investigated. We also recommend that returned tickets and unaccounted tickets be identified in the ticket count sheets.

- d. Total ticket sales of \$52,279 per the ticket sales report differed from total receipts of \$51,600 per the bank statement (\$679 difference). A reconciliation was not provided.

We recommend that ticket sales reports be reconciled to deposits.

Auditee Response: The Overall Chairperson has both verbally and in writing advised the chairperson of this Committee of the noted deficiencies and to properly and accurately account for all tickets disbursed, tickets returned, tickets sold and unsold and to reconcile all ticket sales reports to bank deposits. We have ensured that all ticket distributions and collections are monitored and accurately recorded and all through a single source or office.

## SECTION I – DEFICIENCIES, CONTINUED

2. Receipts

During tests of receipts, the following were noted:

- a. Total sponsorship receipts of \$55,000 per the Solicitation Committee's report did not agree to actual deposits of \$49,500 (\$5,500 difference). A reconciliation was not provided.
- b. Total concessions deposited and reported by the Concessions Committee were \$431,924; however this balance was not supported by a detailed report, cash receipts log or equivalent records.
- c. Total receipts of \$5,240 were unclassified. Insufficient information was available to determine classification of these receipts.

We recommend that receipts be issued for all funds received, regardless of activity or amount. In the event that this process becomes impracticable, we recommend that a cash receipts log or an equivalent record be maintained to track funds received. The log/record should contain information as to source, nature and amount of funds received.

Auditee Response: The Overall Chairperson has advised the Concessions Chairperson and the Corporate Sponsors Chairperson in writing and verbally to keep accurate records of all monies received so they may easily reconciled with bank statements and deposits. We understand from the Concession Chairperson that an activity log of income is kept and that all deposits have been reconciled for 2011. We will follow the recommendation of the auditor to provide receipts for all cash activity and in lieu thereof, provide a log or record sheet of all transactions.

3. Disbursements

Of fifty-three disbursements tested aggregating \$256,581, the following were noted:

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

<u>Check #</u>	<u>Amount</u>
2625	\$ 396
2580	540
2592	<u>1,563</u>
	\$ <u>2,499</u>

- b. The following checks cleared the bank, however, the bank statements which have the image copy of the check were not provided:

<u>Check #</u>	<u>Amount</u>
2604	\$ 287
2609	9,125
2611	10,000
2614	820
2625	3,960
2628	10,301
2649	3,000
2650	15,792
2654	<u>3,000</u>
	\$ <u>56,285</u>



SECTION I – DEFICIENCIES, CONTINUED

3. Disbursements, Continued

- c. One \$9,125 item (check #2870) did not agree to the corresponding invoice (06222030-RK).

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: While 3 tested invoices were not provided, as one of the co-signers of all checks written, I can assure the auditors that all checks that were written were made because of an invoice that was submitted for payment. The checks that have cleared the bank but had no image copies is being researched by the bank but we also assure that the check register and payee we have will correspond to the checks cleared by the bank. Item c. was an error but resulted in no overcharge to the Liberation Committee. In fact, it was \$25 less than the actual invoice but the vendor did not request for the additional amount. We will insure that all invoices are made available and kept on file. We have developed a system to have the Committee keep the original documents and a backup copy of all invoices and billings be simultaneously kept by the Executive Director's secretary.

4. Disbursements Ledger

Total disbursements per the ledger of \$478,116 did not agree to total disbursements per bank of \$455,266 (\$22,850 difference). A reconciliation was not provided.

We recommend that disbursements per ledger and per bank be reconciled monthly.

Auditee Response: This may be caused by the fact that some checks were voided due to errors and were not reflected on the ledgers. We do have several checks that were not claimed by raffle ticket winners. With the bookkeeper on board, we are now able to have ledgers and bank statements reconciled monthly.

5. Disbursements – Bank Statements

Bank statements were not provided for the following:

- a. Bank Pacific Queen's account from January 2011 through December 2011. As of December 31, 2010, this account had a balance of \$1,083.
- b. Guam Island Fair Account for the period June 19, 2011 through June 26, 2011.

We recommend that all bank statements be available on file.

Auditee Response: Duly noted and will be complied with.

6. 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: Duly noted and will be compiled with the 2013 Guam Island Fair.

**SECTION I – DEFICIENCIES, CONTINUED**

7. 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: Duly noted and will be formalized into a policy.

8. 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: Duly noted and will be complied with. The Mayors' Council of Guam will establish a separate non-profit entity that will be registered with Department of Revenue and Taxation to sponsor the 2013 Guam Island Fair.

9. Minutes of Meeting

Minutes of the May 12, 2011 meeting were not provided.

We recommend that minutes of meetings be kept on file.

Auditee Response: Duly noted and will be complied with.

**SECTION II – DEFINITIONS**

The definition of a deficiency that is established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, is as follows:

A *deficiency* 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.

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

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

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**YEAR ENDED DECEMBER 31, 2011**



Deloitte & Touche LLP  
361 S. Marine Corps Drive  
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USA

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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 the financial statement of the Guam Island Fair/Liberation Day Committee Fund (the Fund) for the year ended December 31, 2011, and have issued our report thereon dated May 2, 2013. Our report includes an explanatory paragraph that the financial statement was prepared on the cash basis of accounting and is not intended to present the financial position and results of operations of the Mayors' Council of Guam. 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.

**Internal Control Over Financial Reporting**

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 statements 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 2011-1 to be a material weakness.

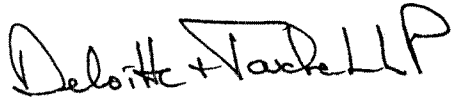
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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 2011-2.

We noted certain matters that we reported to management of the Fund in a separate letter dated May 2, 2013.

The Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Fund's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayors' Council of Guam, Liberation Day Committee, 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.

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

May 2, 2013

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

Schedule of Findings and Responses  
Year Ended December 31, 2011

Finding No.: 2011-1  
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 2011. While a disbursement ledger was compiled subsequent to December 31, 2011, a ledger was not maintained to account for receipts and disbursements throughout 2011. 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 audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Person: Mayor June Blas

Response and Corrective Action Plan: We agree with the findings and recommendation. We have secured the services of an experienced bookkeeper who will be responsible in preparing financial reports and compiling all data on income and expenditures. This recommendation will cover the 2013 Guam Island Fair. We will procure a Quickbooks Multi User software for use of all future Liberation Committees.

Projected Completion Date: Done (except for Purchase of Quickbooks software)

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

Schedule of Findings and Responses, Continued  
Year Ended December 31, 2011

Finding No.: 2011-2  
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 Executive 2011-4, the Guam Island Fair Executive 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. Eighteen (18) disbursements aggregating \$49,639 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>
2592	\$ 1,563	Airfare
2628, 2690	12,821	Airfare
2654, 2793, 2875	9,900	Carnival cleanup fees
2775	2,400	Hotel accommodations
2595	4,441	Materials and supplies
2604, 2661	579	Materials and supplies
2673	1,055	Materials and supplies
2614	820	Materials and supplies
2649, 2744	5,750	Queen's coronation designer fees
2831, 2874	5,200	Queen's float designer fees
2710	1,100	Security services
2582	4,010	Ticket printing
	<u>\$ 49,639</u>	

2. One \$3,620 disbursement for hotel accommodations (check #2772) was supported by less than three price quotes.
3. Four (4) disbursements aggregating \$42,326 involving projects/goods/services of \$15,000 or more were subjected to small purchase instead of competitive bidding. Further, procurement was supported by less than three price quotes. Details are as follows:

<u>Check #</u>	<u>Amount</u>	<u>Particulars</u>
2669, 2742, 2880	\$ 26,534	Security services
2650	15,792	Lavatory services
	<u>\$ 42,326</u>	



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

Schedule of Findings and Responses, Continued  
Year Ended December 31, 2011

Finding No.: 2011-2, Continued  
Area: Compliance with Applicable Procurement Regulations

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 audit of the Liberation Day Committee Fund for 2010.

Auditee Response and Corrective Action Plan:

Contact Persons: Mayor Robert Hoffmann and Executive Director Angel Sablan

Response and Corrective Plan: We agree with the findings and recommendation. For the 2013 Guam Island Fair, we have established template forms (to be used by various committee chairs in the procurement of items and services that are under the jurisdiction of such committee. While we realize that some procurement goes to a sole source or less than the three (3) due to a lack of vendors dealing with such services, i.e., fireworks, sound system rental for extended periods, we still exercise efforts to look for and seek out vendors. Additionally, our selection of certain vendors is based on our history with such vendor in providing the requested items and/or services for the Guam Island Fair. We have also scheduled a Procurement Training Course being facilitated by the Office of the Attorney General on May 29, 2013 that will be attended by Mayors and Vice Mayors and their staff dealing with procurement duties.

Projected Completion Date: Done.

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

Unresolved Prior Year Findings  
Year Ended December 31, 2011

Unresolved Prior Year Findings

As of December 31, 2011, the status of all audit findings included in the Schedule of Findings and Responses as of December 31, 2010 is as follows:

Finding No. 2010-01 – Not corrected. See corrective action plan to Finding No. 2011-1.

Finding No. 2010-02 – Not corrected. See corrective action plan to Finding No. 2011-2.