

**GUAM VISITORS BUREAU
(A PUBLIC CORPORATION)**

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

YEAR ENDED SEPTEMBER 30, 1999



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

The Board of Directors
Guam Visitors Bureau:

We have audited the financial statements of the Guam Visitors Bureau (GVB), as of September 30, 1999, and for the year then ended, and have issued our report thereon dated December 10, 2002. 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.

Compliance

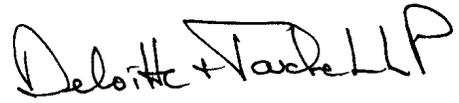
As part of obtaining reasonable assurance about whether GVB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GVB's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of GVB in a separate letter dated December 10, 2002.

This report is intended for the information of Board of Directors and management of GVB, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

December 10, 2002

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December 10, 2002

The Board of Directors
Guam Visitors Bureau:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) for the year ended September 30, 1999, on which we have issued our report dated December 10, 2002, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding Number 1 - Accrual Expense/Expenditure

Criteria:

Income should be recorded upon the sale of promotional programs.

Condition:

The current policy is to reduce promotion expense accounts when sales are made.

Cause:

The cause of this condition is that GVB personnel view this matter on a net impact basis at a program level.

Effect:

A potential understatement of revenue and expenses occurs as a result of this condition.

Recommendation:

Promotional sales should be recorded as revenue rather than as expenses.

Finding Number 2 – Expense Testing

Criteria:

Expenses should be supported by purchase orders.

Condition:

In 14 out of 77 transactions (18%), a purchase order supporting the expense was not located.

Finding Number 2 – Expense Testing, Continued

Condition, Continued:

	<u>WP</u>	<u>C/A</u>	<u>Ck No/Ref No.</u>	<u>Ck Date</u>	<u>Payee</u>	<u>Ck Amount</u>
1	4100	Asahi	1269	8/31/99	ASATSU, INC.	\$ 521,736.00
2	4100	Asahi	Inv-99-IM-13	8/31/99	ASATSU, INC.	\$ 469,562.40
3	4100	Asahi	Inv-99-2M-14	8/31/99	ASATSU, INC.	\$ 547,822.80
4	4100	Asahi	Inv-99-3M-2	8/31/99	ASATSU, INC.	\$ 547,822.80
5	8330	Asahi	1356	8/31/99	ASATSU, INC.	\$ 498,728.76
6	8330	Asahi	1032	4/06/99	ASATSU, INC.	\$ 100,635.92
7	8330	Asahi	898	1/14/99	ASATSU, INC.	\$ 19,086.99
8	8330	Asahi	1158	6/21/99	Continental Airlines	\$ 49,946.10
9	8330	Citibank	5146	6/16/99	JCT Rental Service	\$ 31,260.00
10	8330	Citibank	5166	6/22/99	Shimbros Guam	\$ 23,034.00
11	8330	Citibank	3428	12/04/98	The Information Group	\$ 22,500.10
12	8330	Citibank	3699	1/7/99	Island Apparel	\$ 15,275.00
13	8330	Asahi	996M -16	7/14/99	ASATSU, INC.	\$ 96,283.84
14	8330	Asahi	996M-22	7/14/99	ASATSU, INC.	\$ 75,325.64
					Total	\$ 3,019,020.87

Cause:

The cause of this condition is unknown. However, many of the above payments were supported by other encumbrance documents (i.e. contracts). Therefore, while GVB policy requires that a purchase order be used, such appears duplicative and therefore, may not need to be utilized.

Effect:

It is possible that amounts recorded as expenses may be overstated due to the absence of documentary evidence.

Recommendation:

GVB should maintain detailed supporting documentation (i.e. purchase orders) to support expense transactions. Additionally, GVB should review its encumbrance policy and determine the rationale for requiring purchase orders to be used when processing contract based payments.

Finding Number 3 - Non-Payroll Expenditure

Criteria:

GVB should follow existing non-payroll expense procedures (i.e. matching invoices with approved purchase orders prior to recording expenses).

Condition:

Purchase order numbers noted on two invoices differed from the actual purchase order.

Finding Number 3 - Non-Payroll Expense, Continued

Condition, Continued:

	<u>WP</u>	<u>Ck No/Ref No.</u>	<u>Payee</u>	<u>Ck Amount</u>	<u>PO #</u> <u>On Invoice</u>	<u>Actual</u>
1	4100	Inv-99-IM-13	ASATSU, INC.	\$ 469,562.40	5140	5043
2	8330	CK-1033	ASATSU, INC.	\$ 104,193.28	5039	5028

Cause:

For the first item, the condition is due to the purchase order noted on the invoice being voided. However, the cause of the second item is unknown.

Effect:

There is no known material effect on the financial statements as a result of this condition. However, noncompliance with GVB non-payroll procedures exists.

Recommendation:

GVB should follow established non-payroll expense procedures including matching the invoice to the approved purchase order and should maintain accurate records of voided purchase orders.

Finding Number 4 – Accrued Expense

Criteria:

Expenses should not be accrued unless a liability has been incurred.

Condition:

Approximately \$524,402 was expensed and accrued at year end. These balances were not substantiated by invoices because no liability has been incurred for such amounts. Rather, such had merely been encumbered.

Cause:

The cause of this condition appears to be due to incorrect recording of encumbrances.

Effect:

An overstatement of expenses and liabilities occurred at year end, before correction occurred in the audit process.

Recommendation:

GVB should encumber funds by recording a fund balance reserve and not by recording expenses.

Finding Number 5 – Credit Card Expenses

Criteria:

All credit card receipts should be obtained to support expenses undertaken. If original receipts are not available, the applicable vendor should be contacted to supply necessary support.

Condition:

Receipts for certain credit card expenses were not located.

	Period	Receipts not found
1	4/13-28/99	\$990.41
2	6/15-18/99	\$115.00

We were able to obtain affidavits and the underlying expense basis to substantiate these expenses. However, the original receipts were not on file.

Cause:

The cause of this condition appears to be the absence of enforcement of the specified policy.

Effect:

There is no known material effect on the financial statements as a result of this condition. However, noncompliance with the criteria has resulted.

Recommendation:

Adequate supplemental documents (i.e. receipts) should be obtained in support of all reimbursement requests.

Finding Number 6 – TAF Special Projects Fund

Criteria:

Per Public Law 23-45, GVB serves as the trustee for tourist attraction fund projects. GVB is therefore responsible for the receipt, disbursement, and accounting of these funds and, accordingly, maintains a separate cash account for these funds.

Condition:

Per review of due to/from tourist attraction fund, it appears that funds are transferred to and loaned to the TAF Special Projects fund from the GVB operations fund.

Cause:

The cause appears to be that TAF Special Projects fund does not receive timely allotments from the Government of Guam.

Finding Number 6 – TAF Special Projects Fund, Continued

Effect:

There is no known material effect on the financial statements as a result of this condition. However, if allotments continue to be untimely, GVB may not be able to receive payment, which may jeopardize funding for current appropriated purposes.

Recommendation:

The Guam Visitors Bureau should consider analyzing the cash flows of the special funds account before projects commence.

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This report is intended solely for the information and use of Board of Directors and management of the Guam Visitors Bureau.

We wish to express our appreciation for the cooperation of the staff and management of GVB during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

