

April 24, 2017

Mayor Melissa B. Savares and Vice Mayor Frank Anderson Benavente
Municipality of Dededo

Dear Mayor Savares and Vice Mayor Benavente:

In planning and performing our audit of the financial statement of the Mayors' Council of Guam for the year ended September 30, 2016 (on which we have issued our report dated April 24, 2017), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Mayors' Council of Guam's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mayors' Council of Guam's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mayors' Council of Guam's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to the Mayors' Council of Guam's Dededo Mayor's Office internal control over financial reporting and other matters as of September 30, 2016 that we wish to bring to your attention.

The definition of a deficiency is also set forth in the attached Appendix I.

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

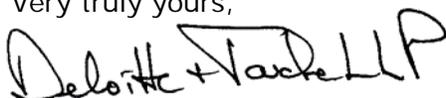
The Dededo Mayor's Office's responses to certain of the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Dededo Mayor's Office's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayors' Council of Guam, management, others within the organization and the Office of Public Accountability – Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

We will be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions.

We wish to thank the staff and management of the Dededo Mayor's Office for their cooperation and assistance during the course of this engagement.

Very truly yours,



SECTION I –DEFICIENCIES

We identified, and have included below, deficiencies involving the Mayors’ Council of Guam’s Dededo Mayor’s Office internal control over financial reporting as of September 30, 2016 that we wish to bring to your attention:

1. Compliance with Applicable Procurement Rules and Regulations

Of 11 disbursements tested, the following were noted:

a. Two were not supported by comparative prices. Details are as follows:

| <u>Check #</u> | <u>Amount</u> | <u>Description</u> | <u>Fund</u> |
|----------------|-----------------|------------------------|----------------------|
| 5667 | \$ 1,830 | Supplies and materials | Regular NAF |
| 314 | <u>1,275</u> | Food and catering | Dededo Senior Center |
| | \$ <u>3,105</u> | | |

b. While the Dededo Mayor’s Office obtained quotes before commencement of certain services in the flea market and park, an update or reevaluation of these services has not occurred for more than three years.

We recommend that the Dededo Mayor’s Office follow applicable procurement policies and consider periodic written periodic reevaluations (e.g., every three years) of its long-standing vendor contracts.

2. Issuance of Receipts

Of twelve items tested amounting to \$36,134, four deposits of \$1,000 appeared to be deposited late due to pre-dating of receipts. Receipts are prepared weekly, bi-weekly or monthly when payments are expected, not when actually received.

We recommend that receipts be prepared and dated as collections occur. Additionally, collections should be timely deposited.

3. Senior Center Operations

Checks of \$200 and \$3,600 from Astumbo and Dededo Senior Center, respectively, were issued to “Cash”. Additionally, for a \$3,600 check from Dededo Senior Center, the signed distribution report was not available and the number of registered members (i.e., 157) did not match the number of recipients per ledger (i.e., 180). The undocumented disbursement amounted to \$460.

We recommend that disbursements payable to “Cash” not be utilized to the extent possible. We also recommend that signed distribution lists be maintained on file.

SECTION II – DEFINITIONS

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

Management is responsible for the overall accuracy of the financial statements and their conformity with accounting principles used to prepare the financial statements. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with accounting principles used to prepare the financial statements).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.