

March 18, 2021

Honorable Carl T.C. Gutierrez
President and Chief Executive Officer
Guam Visitors Bureau
401 Pale San Vitores Road
Tumon, Guam 96913

Dear Honorable Gutierrez:

In planning and performing our audit of the financial statements of Guam Visitors Bureau (GVB) as of and for the year ended September 30, 2020 (on which we have issued our report dated March 18, 2021), in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered GVB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GVB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, in connection with our audit, we identified, and included in the attached Appendix I, deficiencies related to GVB's internal control over financial reporting and other matters as of September 30, 2020 that we wish to bring to your attention.

We have also issued a separate report to the Board of Directors, also dated March 18, 2021, on our consideration of GVB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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

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

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.



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

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

Very truly yours,

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

SECTION I – DEFICIENCIES

We identified the following deficiencies involving GVB's internal control over financial reporting as of September 30, 2020 that we wish to bring to your attention:

1. Revenues

Comment: Consumption tax refund revenues were understated by approximately \$232,288. A post-closing adjustment was recorded to correct this misstatement.

Recommendation: We recommend GVB analyze consumption tax revenues to determine if refunds are complete and reported.

2. Travel

Comment: Travel expenses included certain items paid with no invoice details for hotel accommodations, cancelled airfares and cancellations fees.

Recommendation: We recommend credit card transactions be supported with detail invoices to determine if expenditures covered are allowable and in accordance with GVB and Government of Guam policy rules and regulation.

Additionally, we recommend management strengthen internal controls to verify that cancelled travel is reported and credits or reimbursements are obtained.

3. Cash

Comment 1: As of September 30, 2020 a \$42,221 Japan Savings Account balance was not recorded. The account was opened in prior years and was considered a clearing/sweep account but it was set-up to have a maintaining balance at the end of each month. A post-closing entry was recorded to correct this matter.

Comment 2: Petty cash totaling \$23,175 was not accounted for and was written off as of September 30, 2020. This petty cash was held in Osaka, Japan office that was closed and in Tokyo, Japan of which staffing were restructured in prior years.

Recommendation: We recommend GVB report all bank accounts and monitor and secure petty cash funds.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

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

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

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

Management's Responsibility

GVB's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

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

Inherent Limitations of Internal Control over Financial Reporting

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