

**GOVERNMENT OF GUAM  
TOURIST ATTRACTION FUND**

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

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**SEPTEMBER 30, 2002**

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

Honorable Felix P. Camacho  
Governor of Guam:

We have audited the financial statements of the Government of Guam Tourist Attraction Fund (TAF) and of those funds related to the Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A for the year ended September 30, 2002, and have issued our report thereon dated January 31, 2005. 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**

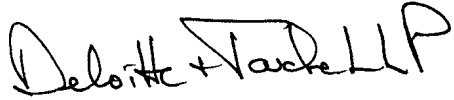
In planning and performing our audit, we considered the Tourist Attraction Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Tourist Attraction Fund's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-01 through 2002-03.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

**Compliance**

As part of obtaining reasonable assurance about whether TAF'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*.

This report is intended for the information and use of management of the Government of Guam Tourist Attraction Fund, 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 + Tatchell LLP". The signature is written in a cursive, stylized font.

January 31, 2005

**GOVERNMENT OF GUAM  
TOURIST ATTRACTION FUND**

Schedule of Findings  
Year Ended September 30, 2002

Finding Number 2002-01 – Taxes Receivable

Criteria: Account balances should be reviewed and reconciled on a regular basis.

Condition: Taxes receivable of \$172,364 at September 30, 2002 have not changed over the last three fiscal years.

Cause: There appears to be weak internal controls over ensuring that receivables are reconciled in a timely manner.

Effect: The account may be misstated. However, the account was adjusted during the audit process.

Recommendation: The Division of Accounts (DOA) should ensure that recorded receivables are valid.

Auditee Response and Corrective Action Plan: DOA will perform corrective actions prospectively. Reconciliations will commence immediately to include communication with the Department of Revenue and Taxation.

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Schedule of Findings  
Year Ended September 30, 2002

Finding Number 2002-02 – Contract Retention Payable

Criteria: Contract retention liability should be updated in a timely manner.

Condition: The following contracts have had no activity for over two years:

<u>Vendor</u>	<u>Contract #</u>	<u>Amount</u>
MD Crisostomo, Inc.	C950660432	\$ 1,000
Maeda Pacific Corporation	C940660287	10,419
Debiasi Guam	Various	<u>4,768</u>
		<u>\$ 16,187</u>

Cause: Contract retention liabilities do not appear to have been investigated by the agencies authorized to disburse or remove the balances.

Effect: The contract retention liability account may be overstated by an immaterial amount.

Recommendation: Contracts should be reviewed by responsible agencies for completion or cancellation in a timely manner.

Auditee Response and Corrective Action Plan: The Division of Accounts will perform corrective actions prospectively. Periodic reviews and reconciliation will commence immediately, to include communication with the appropriate Government of Guam department overseeing and administering these contracts for purposes of determining final disposition of these outstanding liabilities.

**GOVERNMENT OF GUAM  
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Schedule of Findings  
Year Ended September 30, 2002

Finding Number 2002-03 – Bank Reconciliations

Criteria: Bank reconciliations should be prepared accurately and reviewed accordingly.

Condition: The September 30, 2002 bank reconciliation for the PCT Revenue Account contained the following errors:

- a) A deposit made in October 2002 for September 2001 pledged revenues of \$2,062,663 was recorded as a deposit in transit as of September 30, 2002.
- b) A transfer of \$1,039,984 to the General Fund for a GVB allotment release, which cleared the bank on September 30, 2002, was not deducted from cash.
- c) A transfer of \$2,770,405, which cleared the bank on October 2001, was not deducted from cash.

Cause: There appears to be weak internal controls over ensuring that bank reconciliations are properly prepared and reviewed.

Effect: Cash and revenue in the interim financial statements are overstated.

Recommendation: The bank reconciliations should be prepared accurately and reviewed.

Auditee Response and Corrective Action Plan: DOA will perform corrective actions prospectively. Monthly reviews are performed on the bank reconciliation by the General Accounting Supervisor and corrections are made accordingly.