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September 8, 2015

Mayor Joana Margaret C. Blas
Municipality of Asan-Maina

Dear Mayor Blas:

In planning and performing our audit of the financial statements of the Mayors' Council of Guam Non-Appropriated Funds (the Fund) as of and for the year ended September 30, 2014 (on which we have issued our report dated September 8, 2015), 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 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 the Asan-Maina Mayor's Office Non-Appropriated Fund's internal control over financial reporting as of September 30, 2014 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 Asan-Maina Mayor's Office's responses to the deficiencies identified in our audit are set forth in the attached Appendix I. We did not audit the Asan-Maina 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 Asan-Maina Mayor's Office 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 Asan-Maina Mayor's Office Non-Appropriated Fund's internal control over financial reporting as of September 30, 2014 that we wish to bring to your attention:

1. Monitoring of Non-profit Organizations

   The Asan-Maina Mayor's Office has implemented policies and procedures to determine whether non-profit organizations utilizing its facilities are in compliance with Department of Revenue and Taxation filings; however, these policies and procedures have not been reduced to writing.

   We recommend that formal policies and procedures to monitor non-profit organizations utilizing the Asan-Maina Mayor's Office's facilities be prepared.

   Auditee Response: The Asan-Maina Mayor's Office has implemented policies and procedures to determine whether non-profit organizations utilizing the facilities are in compliance with Department of Revenue and Taxation filings; however, there were no non-profit organizations who utilized the Asan-Maina Mayor's Office facilities during FY2014.

2. Receipts

   a. Ten receipts totaling $1,527 could not be traced to bank statements. It is not evident whether these funds were deposited and used for appropriate purposes.

      We recommend that all cash received be deposited.

      Auditee Response:
      i. Receipt (391233) was used as petty cash. Our office has now implemented a record of receipts for petty cash used.
      ii. Receipt numbers (391236 & 391237) were written and received by a volunteer without authorization and/or our knowledge. Our office has now implemented that only the Mayor, Administrative Assistant and Clerk are authorized to receive monies.
      iii. Receipt numbers (391238 & 391252) were not traceable to bank statement. Our office has now implemented that all deposits be accompanied by a receipt for better record keeping.
      iv. Receipt numbers (391240 – 43) were for MCOG Christmas Party guests. Please refer to check #27 dated 12/3/2013 payable to MCOG.
      v. Receipt (391259) for purchases made is on file.

   b. 24 receipt transactions totaling $2,986 were deposited over ten days after receipt date.

      We recommend that receipts be timely deposited.

      Auditee Response: All monies received are now being deposited weekly, and no later than Friday.

3. Disbursements

   One disbursement (check #111 for $265.45) was made payable to "Cash".

   We recommend that disbursements payable to "Cash" not be utilized to the extent possible.

   Auditee Response: Our office no longer disburses checks made out to "Cash".

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.