

April 24, 2017

Mayor Rudy M. Matanane and Vice Mayor Anthony P. Sanchez  
Municipality of Yigo

Dear Mayor Matanane and Vice Mayor Sanchez:

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 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 Mayors' Council of Guam's Yigo Mayor's Office internal control over financial reporting 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.

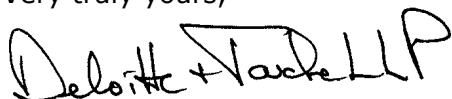
A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with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

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 Yigo Mayor's Office for their cooperation and assistance during the course of this engagement.

Very truly yours,

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

**SECTION I – DEFICIENCIES**

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

1. Unused Grant

The Yigo Mayor’s Office received a \$10,526 grant during the year. The rules of the grant state that the grant shall be used for the improvement, refurbishment, restoration, repair, and/or maintenance of one park or attraction per village, including village murals. It also states that funds cannot be spent on consumables for hosting such as food drink related items, paper products, entertainment, travel, logistics and the like. Upon completion of the listed project, all remaining unspent funds shall be spent according to these rules and regulations until exhausted. The Yigo Mayor’s Office has used \$2,970 of the grant’s \$7,954 remaining funds for its operations, mostly for consumables.

We recommend the Yigo Mayor’s Office generate and allocate \$2,970 of its next fiscal year Non-Appropriated Funds to comply with grant purposes.

2. Compliance with Procurement Rules and Regulations

One disbursement (check # 1231) of \$5,324 was not supported by an invoice and comparative prices.

We recommend that invoices, receipts and other documentation be on file. We also recommend the Yigo Mayor’s Office follow applicable procurement rules and regulations.

3. Receipts

Of four receipt transactions tested, the following were noted:

- a. One \$6,000 donation was not supported by a receipt and a deposit slip; and
- b. One \$630 receipt was not deposited within a week after receipt date, in accordance with the Yigo Mayor’s Office’s policy.

We recommend that receipts be issued for all funds received, regardless of activity or amount. In the event that this process becomes impracticable, we recommend that a cash receipts log or an equivalent record be maintained to keep track of funds received. The log/record should have sufficient information as to date received, source, nature and amount of funds received. We recommend that collections be timely deposited and deposit slips be 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.