

June 25, 2008

The Board of Directors
Yap Visitor's Bureau:

In planning and performing our audit of the financial statements of the Yap Visitors Bureau (YVB) for the year ended September 30, 2007, on which we have issued our report dated June 25, 2008, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding 2007-01 - Procurement, No supporting Documentation

Comment: In accordance with the Memorandum of Agreement between the Office of Administrative Services (OAS) and the Yap Visitors Bureau, YVB shall assure prudent accountability of fiscal year funds appropriated or authorized by Yap State Law 6-85 or other applicable laws by properly documenting and maintaining adequate records in an organized and secured location. The following invoices have no documentation supporting compliance with required procurement procedures.

<u>Check No.</u>	<u>Date</u>	<u>Invoice No.</u>	<u>Amount</u>
6039	1/8/2007	DM01-3523	\$ 2,750
6245	7/4/2007	DM01-4069	2,750
6322	9/10/2007	SDM- Oct, N/D 2007 & J/F	3,975
6346	9/27/2007	07/132609	<u>5,039</u>
			<u>\$14,514</u>

Recommendation: We recommend that all relevant procurement documents are maintained and filed.

Management Response: The management agrees with the finding. The filing system previously had deteriorated with frequent changes of staff and management. This situation was exacerbated by damaged files as a result of Typhoon Sudal, and also the move from the old Bureau building to the newly constructed facility.

Finding 2007-02 - Procurement

Comment: In accordance with the Memorandum of Agreement between the Office of Administrative Services (OAS) and the Yap Visitors Bureau, any payments sought from OAS will be used to replace funds in accordance with proper accounting procedures and any applicable law with specific emphasis on procurement guidelines, such as:

1. Comparative pricing for small purchases (less than \$5,000).
 - i. Quotations obtained from at least three vendors.
 - ii. Adequate justification must be documented if the least costly was not chosen.

Finding 2007-02 – Procurement, Continued

2. Competitive bidding for purchases of \$5,000 or more.
 - i. Any items or services costing five thousand or more must go through formal bidding.
 - ii. The review of bids received and the selection process must be adequately documented.

3. Competitive Bidding for construction projects of \$10,000 or more.
 - i. Any construction costing ten thousand or more must go through formal bidding.
 - ii. The review of bids received and the selection process must be adequately documented.

The following invoices were not procured following comparative pricing for small purchases:

<u>Check No.</u>	<u>Check Date</u>	<u>Invoice No.</u>	<u>Amount</u>
6106	3/13/2007	MS7A0003	\$ 3,720
6323	9/11/2007	50023	4,125
6335	9/23/2007	MSA7A0003	3,322
6348	9/27/2007	0920005	<u>3,630</u>
			<u>\$14,797</u>

Although, justification was provided for the vendor selected, the justification did not detail specific efforts made to obtain competition and what other specifically-named vendors and other sources, both on-island and off-island, were considered and why they were not selected.

Recommendation: We recommend that YVB ensure compliance with established procurement regulations.

Management Response: The management agrees with the finding. Although time-consuming and often not necessary from a practical standpoint considering what is available on this island with time and financial constraints for off-island vendors, the Bureau will make a better effort to comply in the future.

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This report is intended solely for the information and use of Board of Directors and management of YVB and the Office of the Public Auditor of FSM.

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

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

Very truly yours,

