



## OFFICE OF PUBLIC ACCOUNTABILITY

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### Department of Chamorro Affairs – FY 2018 Financial Highlights

January 29, 2020

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Department of Chamorro Affairs' (DCA) Non-Appropriated Funds (NAF) financial statements, report on compliance and internal control, management letter, and letter to those charged with governance for fiscal year (FY) 2018. DCA reported a \$191 thousand (K) increase in net position compared to the prior year's increase of \$88K.

Independent auditors Ernst & Young, LLP expressed an unmodified (clean) opinion on the financial statements for the DCA's FY 2018 NAF and identified two material weaknesses and three significant deficiencies in DCA's Report on Compliance and Internal Control.

This audit is one of the last FY 2018 financial audits to be issued. The audit was delayed due to changes in key staff and management and untimely information from the Guam Museum which resulted in a delay in the receipt of audit evidence and the preparation of the financial statements.

This audit included the Non-Appropriated Funds of (1) Chamorro Village; (2) Guam Museum; (3) Percent for the Arts; (4) Council on the Arts and Humanities Agency (CAHA); (5) Festival of the Pacific Arts (FESTPAC); (6) the President's Office; and (7) Research, Publication, and Training (RPT).

#### **Chamorro Village**

Chamorro Village reported \$524K in revenues, compared to \$566K in FY 2017. FY 2018 expenses were \$462K, a decrease of \$19K, compared to \$481K in FY 2017. Chamorro Village reported a gain of \$61K.

#### **Guam Museum**

The Guam Museum had a \$109K increase in revenues, going from \$28K in FY 2017 to \$138K in FY 2018, primarily due to \$66K of reversals of allowance for doubtful accounts in FY 2018 that were accrued in FY 2017. There was also one month more of operations recorded in FY 2018 compared to FY 2017. Expenses were \$2K in FY 2018 compared to the \$0 expenses in FY 2017, resulting in a gain of \$136K for the Guam Museum.

#### **Percent for the Arts**

Construction, remodeling, or renovation costs of public buildings subsidized by federal or local government funds exceeding \$100K must include local artwork or set aside 1% of the total cost to the Percent for the Arts Program fund. Percent for the Arts reported \$1,650 in revenue and no expenses in FY 2018.

**President's Office**

The President's Office reported a \$22K decrease in revenue, going from \$33K in FY 2017 to \$11K in FY 2018. Total expenses also decreased by \$8K, from \$12K in FY 2017 compared to \$4K in FY 2018, mainly due to decrease in miscellaneous expenses. Overall, a gain of \$7K was reported in FY 2018.

**Research, Publication, and Training**

RPT conducts, researches, publishes and produces multi-media and print materials relating to the Guam Heritage. RPT revenues increased from \$2K in FY 2017 to \$4K in FY 2018. RPT reported a significant decrease of \$32K in expenses, going from \$34K in FY 2017 to \$2K in FY 2018.

**Council on the Arts and Humanities**

In FY 2018 CAHA received zero donations and reported a decrease of approximately \$18K in revenues. CAHA also reported an increase in expenses of \$19K, resulting in a net loss of \$17K.

**Festival of the Pacific Arts**

From May 2016, to June 2016, Guam hosted the 12th FESTPAC, in which the Governor of Guam appointed CAHA as the lead agency. As of FY 2018, all expenses were paid.

**Compliance Report and Management Letter**

As noted above, the independent auditors found two material weaknesses: (1) DCA did not procure services in compliance with Guam Procurement Law and (2) DCA procured security, waste disposal and maintenance services that exceeded \$24,999 using small purchase procurement.

In addition, three significant deficiencies were noted: (1) not properly recording revenues and receivables related to the Guam Museum; (2) not properly recording vendor/supplier invoices in the general ledger for Chamorro Village, and (3) inventory counts were not timely performed at year-end.

In a separate management letter, three findings were identified involving: (1) the financial statement close process, (2) segregation of duties, and (3) accounting.

As a matter of full disclosure, the Public Auditor is compadres with the DCA President, as well as good friends with the museum contractor.

For a more detailed discussion on DCA's operations, refer to the Management's Discussion and Analysis or view the reports in their entirety at our website at [www.opaguam.org](http://www.opaguam.org).