

**Chamorro Village  
Non-Appropriated Funds**

**Performance Audit  
October 1, 2000 through September 30, 2003**

**OPA Report No. 04-11  
October 2004**



OFFICE OF THE PUBLIC AUDITOR

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**EXECUTIVE SUMMARY**

Non-Appropriated Funds of The Chamorro Village  
Division of The Department of Chamorro Affairs,  
Government of Guam  
Report No. 04-11, October 2004

The Chamorro Village (CV) was established to encourage, promote, and provide a centralized support facility for local entrepreneurs wishing to sell Guam's local arts and crafts, agricultural/fisheries products, and products bearing the Guam Product Seal. A popular attraction is the Wednesday Night Market, which offers weekly entertainment and a variety of food, aquaculture, and produce/nursery for sale by local vendors.

The CV is responsible for almost \$400,000 in annual revenues and is operated by a manager and six administrative staff. Personnel costs are funded by the Guam Economic Development and Commerce Authority (GEDCA) and the Governor's Office. CV revenues are derived from suite leases, the Wednesday Night Market rental stalls, and an annual GEDCA qualifying certificate (QC) of \$25,000.

Although CV staff documented certain cash receipts and disbursements, we found that the CV management did not provide sufficient oversight to properly account for, report, and monitor the non-appropriated fund activities. Specifically, the Chamorro Village did not:

- Establish adequate internal control procedures for cash management. As a result, there is an increased risk of fund misuse and improper fund administration in the absence of the administrative assistant. The CV staff did not have basic accounting knowledge and did not prepare monthly financial statements to monitor revenues and expenses for potential problems so that management could make the appropriate adjustments. For example, our analysis of the CV revenues and expenditures of fiscal years 2001, 2002, and 2003 revealed that the CV had a significant decrease of \$86,861 in revenue collections while experiencing a \$148,889 increase in expenditures ([click here for graph](#)). Further, we found that the CV did not have adequate separation of duties and did not perform monthly bank reconciliations.
- Follow its promulgated rules and regulations because the former CV manager had not researched the effective date. As a result, lease rates have not been updated, delinquent tenants have not been evicted, a marketing plan has not been implemented, and collection procedures for the Wednesday Night Market are not adhered to. The CV's failure to enforce their collection policy has led to past due receivables totaling \$41,524 as of July 2004. The failure of the CV to implement a marketing plan may have resulted in lost opportunities to expand and increase revenues.
- Comply with Guam procurement laws and regulations. These conditions occurred because CV personnel were not aware they were required to comply with Guam procurement laws.

Fifty-five percent of purchase orders sampled were procured without following Government of Guam procurement regulations. Our audit disclosed that CV paid \$31,256 to a preferred vendor, of which \$1,151 was unreasonably spent on cigarettes, food, phone cards, and other miscellaneous expenses.

- Issue Form 1099-MISC to any of their vendors. We calculated \$137,283 of income tax earnings not reported to the Department of Revenue and Taxation (DRT) for fiscal years 2001 through 2003.
- Receive \$25,000 from the Department of Chamorro Affairs (DCA), which was provided by a QC for the upkeep and maintenance of CV restrooms. We also found that the GEDCA was issuing QC checks to the CV before reviewing expenditure reports. These conditions occurred because GEDCA had not established written procedures for the administration of the maintenance fund.

Overall, our audit disclosed \$43,791 in unrealized revenues from uncollected lease agreements, lack of controls during the Wednesday Night Market, and failed special agreements. Additionally, cost exceptions derived from improper purchase orders, preferential treatment, and failed special agreements totaled \$174,882.

To correct these deficiencies we made the following recommendations to the DCA President:

- Develop and implement accounting procedures to generate monthly and annual financial reports, provide appropriate separation of duties, perform monthly bank reconciliations, and adequately train employees to perform bookkeeping duties.
- Enforce the existing collection policy.
- Implement a comprehensive marketing plan to better utilize the CV, review lease rates and common area fees, and establish a Business Selection Committee.
- Do not allow Wednesday Night Market vendors who have not paid at the scheduled time to utilize CV facilities.
- Comply with Government of Guam procurement regulations.
- Issue Form 1099-MISC to individuals who provide services of at least \$600 each calendar year.
- Transfer \$25,000 of the restroom maintenance allotment provided by the QC to the CV.

We recommend the Administrator of the GEDCA establish written procedures for the administration and use of the CV restroom maintenance funded by QC 219, issue checks directly to the CV after reviewing expenditure reports, and perform periodic inspections of the CV restrooms.

The DCA President and GEDCA Administrator generally concurred with the findings and recommendations.



Doris Flores Brooks, CPA, CGFM  
Public Auditor



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## Introduction

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This report represents the results of our audit of the non-appropriated funds of the Chamorro Village (CV). The audit was completed as part of our overall review of the Department of Chamorro Affairs (DCA) non-appropriated funds (OPA Report No. 04-06). The audit objective was to determine whether the non-appropriated funds of the Chamorro Village were properly managed and accounted for in accordance with applicable laws and regulations. The scope and methodology and prior audit coverage are detailed in Appendices 2 and 3.

### Background

In 1978, Public Law (P.L.) 14-154 created the Chamorro Village and the Public Market Revolving Fund (Fund) under the Department of Commerce (DOC). The purpose of the Chamorro Village is to encourage, promote, and provide a centralized support facility for local entrepreneurs wishing to sell Guam's local arts and crafts, agricultural/fisheries products, and products bearing the Guam Product Seal.



**Photo 1:** The Chamorro Village sign fronting Paseo Stadium in Hagatna.

The CV developed into a \$10 million facility, which opened in December 1994. There are approximately 81 suites providing space for retail, food sales, produce, nursery, and aqua cultural endeavors. See Appendix 5 for the rental rates.

The CV also provides support facilities and special activities for the local community. One such event is the weekly Wednesday Night Market, which offers food, aquaculture, and produce/nursery rental stalls ranging from \$50, \$25, and \$5, respectively. The Wednesday Night Market averages about 74 vendors a week.

In March 2002, P.L. 26-76 abolished the Department of Commerce and transferred authority of the Chamorro Village to the Guam Economic Development and Commerce Authority (GEDCA). In June 2002, Executive Order 2002-14 transferred the CV to the Department of Chamorro Affairs.

Revenues for the CV derive from suite rental leases, Wednesday Night Market rental stalls, and an annual GEDCA qualifying certificate of \$25,000 for the upkeep of CV restrooms. The CV is responsible for almost \$400,000 in annual revenues and is operated by a manager and six administrative staff. Personnel costs are funded by the GEDCA and the Governor's Office.

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## **Results of Audit**

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We found that the Chamorro Village did not (1) establish adequate internal control procedures for cash management, (2) follow its promulgated rules and regulations, and (3) comply with Guam procurement laws and regulations. These conditions occurred because CV personnel were not aware they were required to follow and comply with CV rules and regulations and the Guam procurement law. As a result, non-appropriated funds may be susceptible to fraud, waste, and abuse. In addition, noncompliance of procurement regulations for goods and services may not have resulted in fair and open competition.

### **Internal Controls Needed For Fund Accountability**

Internal control is a major part of managing an organization. Internal control serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Internal control activities are the policies, procedures, techniques, and mechanisms that ensure that actions are taken to address risks. Cash management procedures must be documented to include creation of financial reports and budgets with accounting software, segregation of duties, and performance of monthly bank reconciliation.

Although CV staff documented fund activities, the CV management did not provide sufficient oversight to properly account for, report, and monitor the non-appropriated fund activities. The administrative assistant, responsible for maintaining the account, informed us that CV did not have written procedures for cash management. We obtained a verbal understanding of CV's cash management procedures. Because the procedures are not documented, this increases the risk of (1) funds being misused and (2) funds not being properly administered in the absence of the administrative assistant.

During our review, we identified the following internal control deficiencies:

- Lack of basic accounting knowledge
- No financial reporting
- No separation of duties (authorizing, recording, custody of assets)
- No bank reconciliation

### **Lack of Basic Accounting Knowledge**

The current CV staff is limited in basic accounting knowledge and was not aware of the importance of preparing financial statements, separating incompatible duties, and performing monthly bank reconciliation. We did find some reporting for receivables, recording of Wednesday Night Market collections, and listing of original receipts but the information was not compiled into monthly and annual financial reports. These financial reports should be included in the Government of Guam's General Purpose Financial Statements.

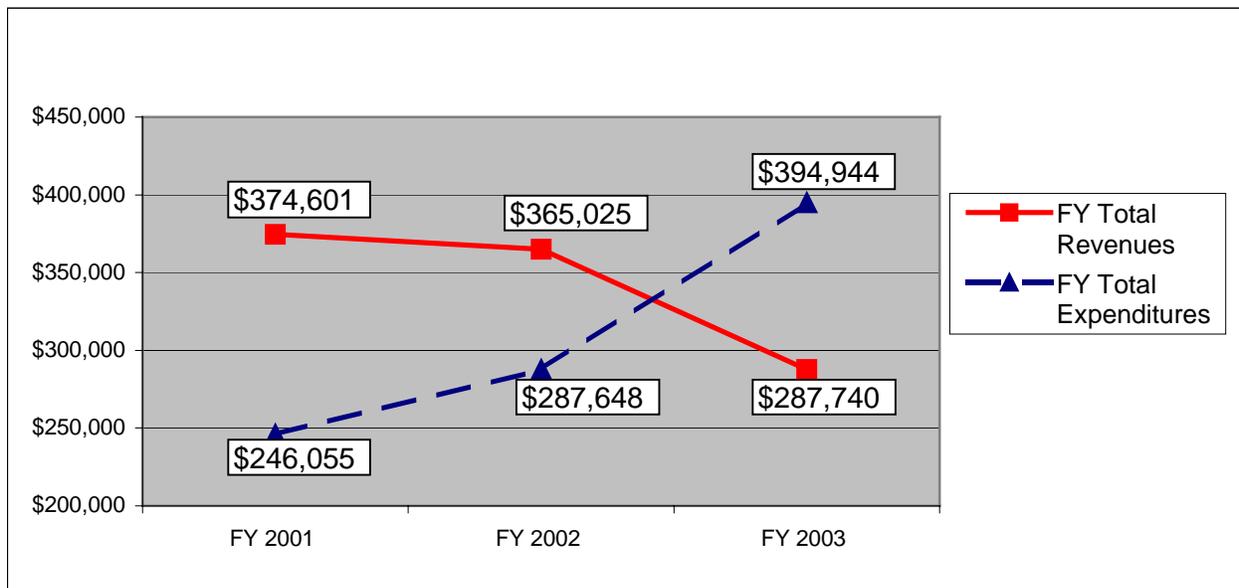
## No Financial Reporting

Financial statements and other similar reports provide a reporting of how an entity has accounted for its resources. On a day-to-day basis, these reports are useful in making operating decisions, monitoring performance, and allocating resources.

To illustrate the importance of financial reporting, we found that CV expenditures increased by \$107,296<sup>1</sup> and revenues decreased by \$77,285<sup>2</sup> in FY 2003 compared to FY 2002 (See Chart 1). This resulted in disbursements exceeding receipts by \$107,204.<sup>3</sup>

A comparison of revenues and expenditures for the last three years showed a decrease in revenue collections of \$86,861 (\$374,601 less \$287,740) and an increase in expenditures of \$148,889 (\$394,944 less \$246,055). Based on our analysis of revenues and expenditures, we concluded that the decrease in revenues was contributed to the increase in delinquent tenants and the temporary closure of the CV in the aftermath of Typhoons Chata'an and Pongsona. Additionally, the increase in expenditures was due to the rising costs of services, supplies, and meal coupons (see Appendix 6).

**Chart 1: Chamorro Village Revenues and Expenditures  
FY 2001-2003**



The accumulation of cash from prior years is now being utilized to pay for the increase in CV expenses such as water and other services. Lease revenues have not infused sufficient cash into the account to prevent this depletion of account reserves.

Monthly financial reports would have identified potential problems in areas of increasing expenditures and decreasing revenues so that management could make appropriate adjustments in allocating resources and determining corrective action for changes in operations.

<sup>1</sup> \$394,944 less \$287,648

<sup>2</sup> \$365,025 less \$287,740

<sup>3</sup> \$394,944 less \$287,740

## No Separation of Duties

Separation of duties means assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets. Separation of duties reduces the opportunities for one person to both perpetrate and conceal errors or fraud.

Inadequate separation of duties exists when the same individual has custody of assets, authorizes transactions, records the transactions, and maintains records. This increases the risk for errors, misappropriations, and fraud to occur without detection.

We found that the CV does not have an adequate separation of duties. The administrative assistant is responsible for maintaining, recording, and depositing activities of the non-appropriated fund account.

## No Bank Reconciliation

The independent review and reconciliation of monthly bank statements are internal control procedures used to ensure the validity and accuracy of financial transactions. In a previous OPA audit of the Department of Chamorro Affairs issued in June 2004 (OPA Report No. 04-06), we recommended that the DCA hire a qualified accountant to maintain DCA records, utilize accounting software, and prepare annual financial statements. To date, the DCA has not implemented this recommendation.

To correct these deficiencies, we recommend that the CV management develop and implement accounting procedures to generate monthly and annual financial reports to account for funds utilizing accounting software, provide appropriate separation of duties, perform monthly bank reconciliations, and ensure CV staff are adequately trained to perform bookkeeping duties.

## Rules and Regulations Need To Be Followed



**Photo 2:** View from Chamorro Village business office.

The Chamorro Village management and staff have not followed promulgated rules and regulations in the operations of the Chamorro Village, which were effective since 1996. The staff stated they were not aware of the regulation's official status; however the former President of the Department of Chamorro Affairs indicated he was aware of the regulations but had assumed the Chamorro Village staff were following the rules and regulations. As a result, lease rates have not been updated since 1996, delinquent tenants were not evicted, a marketing plan has not been implemented, and rental stall revenues are not collected prior to each Wednesday Night Market.

A public hearing was held on the proposed rules and regulations on September 28, 1995, as required by the Administrative Adjudication Act (AAA). The proposed rules were then submitted to the Guam Legislature for approval. The AAA permits the adoption of rules and regulations when 45 calendar days have elapsed and the Legislature does not take action within

seven legislative days. This is to ensure that by the Legislature's inaction, rules are not held up indefinitely. In a June 1996 memo, the Attorney General opined that the Chamorro Village rules and regulations had in fact been legally enacted since May 16, 1996.<sup>4</sup> The former CV manager had not researched the effective date of the rules and regulations.

### Commercial Lease Agreements

Under the business rental provisions in Chapter IV, Section 4.2(I) of the CV rules and regulations, rentals for the standard shop accommodations shall be collected on a monthly basis, and shall be remitted no later than the tenth (10<sup>th</sup>) day of each month. Rental obligations exceeding 90 days shall not be permitted to continue operations within the CV. In addition, Chapter VI, Section 6.8(D) requires CV to maintain a waiting list of business applicants, which expires after one year.

We reviewed lease agreements and computer-generated listings of receipts maintained by the Chamorro Village. Because the CV did not have financial reports with lease revenues readily available, we estimated lease revenues by multiplying lease rates by the length of active occupancy of each suite for FY 2001, 2002, and 2003. We compared the estimated lease revenue with the actual receipts to determine the validity of the lease revenues and found variances for all three years totaling \$11,041 (see Table 1).

**Table 1: Estimated Lease Revenues**

	<b>Estimated Lease Revenues</b>	<b>Actual Receipts</b>	<b>Increase/(Decrease)</b>
FY 2001	\$ 235,331	\$ 245,771	\$ 10,440
FY 2002	\$ 222,609	\$ 223,558	\$ 949
FY 2003	\$ 220,171	\$ 197,741	\$ (22,430)
		<b>Total variance</b>	<b>\$ 11,041</b>

The results of our analysis showed that the variances for FY 2001 and 2002 were reasonable compared to the estimated revenues. However, the FY 2003 variance was 10%, out of the norm of the other years' variances. The variance occurred because Chamorro Village management and staff had not adequately monitored lease agreements. A contributing factor to the decrease in FY 2003 revenues of \$22,430 was caused by inconsistent collection practices by the CV.

We also found that vendors who owed lease payments exceeding the 90-day seizure of service clause were allowed to continue operating their businesses. For the period ending September 30, 2003, receivables were \$35,700, where \$25,729 was receivables from tenants delinquent 90 days and over and former tenants no longer doing business at the CV, as shown in the following aging accounts receivables in Table 2.

**Table 2: Aging Accounts Receivables**

<b>Receivables as of</b>	<b>30 days</b>	<b>60 days</b>	<b>90 days</b>	<b>Over 90 Days</b>	<b>Total</b>
9/30/2003	\$6,250.34	\$3,720.07	\$9,339.82	\$16,389.64*	\$35,699.87
7/12/2004	\$4,235.78	\$1,982.50	\$20,773.47	\$14,531.94*	\$41,523.69

\*Inactive Chamorro Village Tenants

<sup>4</sup> 5 G.C.A. §9303(b) as enacted on March 8, 1994 by Public Law 22-96. The entire section was repealed and reenacted by P.L. 24-27 on May 16, 1997, one year after the AG opinion was issued.

As of July 12, 2004, tenants that were delinquent in payments over 90 days grew to over \$20,000. To date, we noted two current tenants, who owed over \$5,000 in rent payments, have been allowed to continue operating their businesses. Inquiries with CV staff indicated that notices are transmitted monthly to delinquent vendors, but the CV prefers to negotiate payment plans rather than evict tenants. Allowing vendors who owe past due rent to continue to conduct business adversely affects the CV operations as evidenced in CV expenditures exceeding revenues (see Chart 1).

Although the CV did not take an active approach to evict tenants where negotiation efforts have failed, we noted that CV did take a former tenant to small claims court and the tenant is now making monthly payments. However, in another example, CV has not been able to collect \$5,193 owed by another tenant who has filed Chapter 7 Bankruptcy.

It is essential that the CV enforce their collection policy as outlined in the rules and regulations because of the potential financial loss and inequitable treatment to vendors who pay rent on time. Evicted tenants can be replaced by prospective tenants on the waiting list.

### Wednesday Night Market

According to the Wednesday Night Market rules and regulations, “vendors must make their payment no later than 5:00pm every Tuesday, otherwise the vendor will lose his or her assigned space.”

In our analysis, we found a \$3,201 variance between the estimated Wednesday Night Market revenues recorded from the vendor listing to actual revenues received for FY 2002 and 2003 (See Table 3). We estimated Wednesday Night Market revenues from data obtained from CV monthly vendor listings indicating payments and assignments for particular stalls for FY 2002 and 2003. We did not obtain FY 2001 revenues because records were damaged by Typhoon Pongsona.

**Table 3: Wednesday Night Market Revenue**

	<b>Estimated Night Market Revenues</b>	<b>Actual Receipts</b>	<b>Variance</b>
FY 2001*	\$ -	\$ 111,105	\$ -
FY 2002	\$ 102,840	\$ 102,276	\$ 564
FY 2003	\$ 86,385	\$ 83,748	\$ 2,637
		<b>Total variance</b>	<b>\$ 3,201</b>

\*Typhoon Pongsona destroyed archived data for FY 2001.

We determined that the decline in FY 2003 revenues was mainly due to the closure of the Wednesday Night Market for seven weeks because of Typhoon Pongsona.

The \$3,201 variance is indicative of the breakdown in controls over cash since the variance indicates that all the revenues may not have been recorded or deposited. Inquiries with the CV staff and management indicated that vendors were allowed to make payments either on the day of or during the Night Market. When payments are not made as scheduled for the Wednesday Night Market, planning and coordinating the event becomes more cumbersome and payments become susceptible to misuse.

## Special Agreements

Although the CV rules and regulations does not have a provision for special agreements, we found that the CV had entered into three separate special agreements to lease CV space in exchange for services over the scope of our audit. The agreements were with the University of Guam, a local magazine, and a local advertiser. As agreed, the UOG provided a student developed marketing plan and the local magazine provided full-page ads. However, CV did not receive the services promised by the local advertiser.



**Photo 3:** Aerial view from Chamorro Village tower.

The local advertiser was supposed to provide artistic designs for the Guam Museum and work with the CV to develop promotional events related to Guam history in exchange for the use of Suites 109 and 110 or 400 square feet of space. The CV management and staff were optimistic that the services would eventually be provided; however, the local advertiser did not provide the services and had occupied the space for nine months, from April 2003 to January 2004, until the CV finally asked him to vacate the premises. We estimated lost revenues of \$4,550 from the failed agreement with the local advertiser.

Section 4.2(D) of the rules and regulations states that the CV management shall be responsible for the formulation of a CV marketing program within 90 days of the formal adoption of the rules and regulations and reviewed every two years.

The special agreement with the University of Guam, who occupied Suites 139, 140, and 141 for five months from December 2000 to April 2001, was in exchange for a student-developed marketing plan. The marketing plan had been developed and submitted on July 18, 2001. However, CV did not review or implement the marketing plan. The former DCA President indicated that no action was taken on the UOG plan because of the lack of marketing personnel. We estimated the cost of the exchange to be \$3,791.

The failure of the former and present DCA management to implement a comprehensive marketing plan resulted in lost opportunities to expand the CV and increase CV revenues during that time period.

## Lease Rates

Chapter V, Section 5.1 of the rules and regulations states the rental fees shall be reviewed and modified, if necessary, every three (3) years and shall take into consideration the prevailing market rates.

Our analysis of lease revenues in FY 2001, 2002, and 2003 showed no adjustments had been made to the 1996 historical rates. The additional 5% common area fee, which includes ground keeping, trash collection, security, and water, had also remained unchanged. Because CV has not made sufficient adjustments to the lease rentals and common area fees, the CV has not been

able to cover the rising costs of water and other services since 1996. The former DCA President indicated that the CV manager only recently recommended to the DCA Board that fees be updated after input from the CV Vendors' Association.

### **Business Selection Committee**

Chapter VI of the rules and regulations calls for the establishment of a five-member (minimum) Business Selection Committee, for the purpose of reviewing applications and recommending approvals/disapprovals of business assignments at the Chamorro Village. The committee shall be comprised of no less than five members from the Council of the Arts and Humanities Agency, Department of Agriculture, Guam Visitors Bureau, University of Guam, Chamber of Commerce, Guam Economic Development and Commerce Authority, Mayors' Council, the public at large, and Chamorro Village Manager, and Vendors Association. The members are to be appointed by the President of the Department of Chamorro Affairs (DCA).<sup>5</sup>

The CV had not established a Business Selection Committee since 2002. The CV management and staff is currently responsible for reviewing and awarding leases. In certain instances, the CV staff used a rating system to evaluate prospective tenants to include business newness, product uniqueness, Government of Guam agency clearances, etc. However, a selection committee does not review the ratings. The former DCA President stated that the DCA Board would address this matter.



**Photo 4:** The Chamorro Village tower.

Without independent reviews of a selection committee, it is difficult to determine whether applicants are given equal opportunities in the selection process.

To correct these deficiencies, we recommend the CV (1) enforce the existing collection policy, notify tenants of the policy, collect on all past due accounts using appropriate legal action if necessary, and utilize the tenant waiting list to replace evicted tenants; (2) ensure that Wednesday Night Market vendors who have not paid before 5:00 PM Tuesday are not allowed to utilize the CV facilities; (3) implement a comprehensive marketing plan to better utilize the Chamorro Village; (4) immediately make appropriate adjustments to lease rates and common area fees to cover the rising cost of expenditures; and (5) establish the Business Selection Committee to ensure all applicants are given an opportunity to start a business.

### **Comply With Guam Procurement Laws and Regulations**

The CV did not follow procurement procedures consistent with promoting fair and open competition. Goods and services were procured without solicitation of three quotes from companies. Additionally, the CV did not issue Form 1099-MISC to any of their vendors for income tax reporting to the Department of Revenue and Taxation (DRT).

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<sup>5</sup> Authority transferred to the President of DCA from the now abolished Department of Commerce per P.L. 26-76 and Executive Order 2002-14.

These deficiencies occurred because the CV management and staff were admittedly not versed with the Guam procurement laws and regulations and vendor income reporting requirements. As a result, 36 purchase orders totaling \$139,462, or 55% of a total of \$254,519 tested, were procured without following the Government of Guam procurement regulations and the CV exhibited preferential treatment to six entertainers by paying them \$32,014 more than the average paid to other entertainers.

## **Purchase Orders**

According to 2 G.A.R. §3111(c) for small purchases of supplies or services between \$500 and \$15,000, no less than three written quotations from businesses shall be solicited and recorded and placed in the procurement file. Furthermore, 2 G.A.R. §3109 states that every procurement in excess of \$25,000 shall be publicized at least once and at least seven days before the final date of the submission of bids. 2 G.A.R. §3112.12(e) stipulates, "All competitive sources should be given an equal opportunity to furnish supplies or services...Blanket Purchase Agreements (BPAs) for items of the same type should be placed concurrently with at least three separate suppliers to assure equal opportunity."

We found that purchase orders were issued to vendors without the benefit of soliciting three quotes and procurement over \$25,000 was not advertised. During FY 2001, 2002, and 2003, the CV issued 615 purchase orders worth \$1,014,739. We tested 60 purchase orders (POs), totaling \$254,519, to determine whether the goods and services were procured in accordance with Guam procurement laws and regulations. Of the 60 POs, we identified 30 POs, totaling \$81,120, were issued without three quotes and five POs, totaling \$14,842, were issued with only two quotes.

For example, we found that a \$43,500 purchase order was issued on September 5, 2003 for painting services, which exceeded \$25,000. The CV did not advertise the need for this service as required by 2 G.A.R. §3109.

We also found that the CV did not have formal contracts for security and janitorial services and are paying monthly based on the number of service hours billed. This monthly arrangement would require solicitation of quotes on a monthly basis instead of soliciting for a contract term. We concluded CV had not solicited the required quotes for these monthly services.

Our analysis of the purchase orders showed that BPAs were distributed to two vendors in unequal amounts. For example, the CV issued BPAs twice a year to two vendors for janitorial supplies but one vendor was issued two times more than the other vendor. CV staff indicated that one vendor offered a better price for the janitorial supplies, offered more products than the other vendor, and provided better service. These inconsistencies proved that the regulations may not be ideal in cases where a vendor pool is limited or where a vendor can supply the same goods for a lower price.

In OPA Report No. 04-08, General Services Agency Blanket Purchase Agreements Procurement Function, issued in July 2004, we recommended the Attorney General determine the possibility of issuing BPAs to one or two vendors in circumstances benefiting the Government of Guam, i.e., better prices or limited pool of vendors. To date, we have not received a response from the Attorney General. Until the Attorney General issues a response, we recommend that the CV follow procurement procedures to ensure that procurement of goods and services are fair and open to competition.

## Preferential Treatment

In a three-month period, the CV paid and issued \$31,256 of purchase orders for consulting services associated with the CV overall aesthetics plan and Christmas decor to a preferred vendor. Of the \$31,256, \$1,151 was spent on incidentals such as food, phone cards, and cigarettes approved by the former DCA President.

On October 3, 2002, the former DCA President and the former Chairman of the Board awarded a \$10,000 consulting contract to this vendor for the implementation of the overall aesthetics plan for the CV with fifty percent (\$5,000) due upon execution of the contract. Section 4B of contract states, "The Consultant shall be reimbursed for all reasonable expenses that may be incurred in the course of the execution of his duties, provided such expenses have been approved by the President of DCA." This provision is contrary to procurement law that prohibits advance payments.<sup>6</sup> The overall payments made directly to the vendor are detailed in Table 4 below.

**Table 4: Disbursements To Preferred Vendor**

### Consulting Fees

Development of aesthetics plan	\$ 2,500	
50% advanced payment for implementation of aesthetics plan	\$ 5,000	
Additional payments for implementation of aesthetics plan	\$ 5,000	
CV tower painting	\$ 2,500	
Christmas décor services	\$ 6,500	\$ 21,500

### Materials & Supplies

\$ 8,605

### Miscellaneous Expenses

Cigarettes	\$ 181	
Food	\$ 713	
Phone Cards	\$ 90	
Miscellaneous (unidentified)	\$ 167	\$ 1,151

**TOTAL** \$ 31,256

The disbursements for cigarettes, food, phone cards, and other unidentified expenses are not reasonable towards the completion of the aesthetics plan. An Attorney General opinion dated October 12, 1995 regarding the use of public monies for food and other purchases states that public officials must consider whether the primary benefit of the expenditure is the safety, welfare or health of the general public and whether it serves public necessity, convenience, and welfare.<sup>7</sup>

Additionally, these purchases do not appear to benefit the general public. 5 G.C.A. §7102 established the standards for handling government money. The former DCA President entrusted

<sup>6</sup> 5 G.C.A. §5007 Policy Against Advance Payments: With the exception of off-island orders of the Department of Education, no procurement shall be made under this Chapter which shall require advance payment.

<sup>7</sup> A.G. Opinion No. 95-1340.

with fiscal responsibility, did not act in a prudent and diligent manner when these purchases were approved and deemed “reasonable expenses.”<sup>8</sup>

This vendor was also paid \$6,065 from DCA for expenses related to the Children’s Theatre Project (see OPA Report No. 04-06) and was paid \$41,676 (\$19,906 of which was unsupported) from the Liberation Day Committee for the two years noted in OPA Report No. 03-04. All these payments were not reported to the Department of Revenue and Taxation (DRT) via Form 1099-MISC. We are referring this matter to the DRT for further review.

This vendor received contracts totaling \$78,997 from the former DCA President who was also the Chairperson of the Liberation Day Queen’s Committee.

### Wednesday Night Market Preferential Entertainers

We were informed that entertainers are selected from the CV Entertainers Directory on a rotational basis and paid \$200 per night regardless of the number of members. According to CV staff, some entertainers, for example, certain disc jockeys, have the required equipment for certain cultural performances and other entertainment and are more available than other disc jockeys.

The CV may have given preferential treatment to several Wednesday Night Market entertainers because there were no written procedures for the selection of entertainers. The CV paid six entertainers \$30,478, in excess of the average paid to other entertainers.

The average paid to a night market entertainer was \$1,298, \$860, and \$1,129 in FY 2001, 2002, and 2003, respectively. Our disbursement testing showed six entertainers were paid two, three, and sometimes four times more the average amount paid to the other entertainers. Table 5 provides a list of entertainers that were consistently paid in excess of the average amounts for all three fiscal years.

**Table 5: Preferred Entertainers**

Payee	2001		2002		2003		Total paid in excess
	Amount paid	Excess of average of \$1,298	Amount paid	Excess of average of \$860	Amount paid	Excess of average of \$1,129	
Entertainer 1	\$ 5,600	\$ 4,302	\$ 4,400	\$ 3,540	\$ 2,600	\$ 1,471	\$ 9,313
Entertainer 2	\$ 2,800	\$ 1,502	\$ 4,600	\$ 3,740	\$ 3,000	\$ 1,871	\$ 7,113
Entertainer 3	\$ 2,200	\$ 902	\$ 2,800	\$ 1,940	\$ 2,800	\$ 1,671	\$ 4,513
Entertainer 4	\$ 3,800	\$ 2,502	\$ 1,600	\$ 740	\$ 2,200	\$ 1,071	\$ 4,313
Entertainer 5	\$ 2,800	\$ 1,502	\$ 2,000	\$ 1,140	\$ 1,200	\$ 71	\$ 2,713
Entertainer 6	\$ 2,400	\$ 1,102	\$ 1,600	\$ 740	\$ 1,800	\$ 671	\$ 2,513
<b>Total</b>	<b>\$ 19,600</b>	<b>\$ 11,812</b>	<b>\$ 17,000</b>	<b>\$ 11,840</b>	<b>\$ 13,600</b>	<b>\$ 6,826</b>	<b>\$ 30,478</b>

Furthermore, these entertainers were not issued Form 1099-MISC, required for income tax reporting to the Department of Revenue and Taxation.

<sup>8</sup> 5 G.C.A §7102 established the standards for handling government money: “Any officer, agent, contractor, or employee shall discharge his duties with the care, skill, prudence and diligence under the circumstances prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.”

We recommend that management develop and implement written procedures to ensure the requirements for procurement of supplies and services are complied with and all staff become familiar with Guam’s procurement laws and regulations. These procedures should include an appropriate method of rotating entertainers for the Wednesday Night Market.

**Form 1099-MISC**

26 U.S.C §6041 states Form 1099-MISC, Miscellaneous Income, must be filed for each person to whom at least \$600 in services (including parts and materials) or other income payments has been paid. The payments are reported to the DRT.

The DRT issued a memorandum to all Government of Guam departments and agencies on January 17, 2003, after the OPA informed the DRT director that many of the Government of Guam departments and agencies had not issued Forms 1099-MISC for payments of contractual services. Despite this memorandum, the CV did not issue Form 1099-MISC to its vendors or report the income to DRT. CV management has not issued the forms because they claim to be unaware of this requirement. Table 6 details the total payments made by the CV to individuals who had not received Form 1099.

**Table 6: Vendors Not Issued Form 1099-MISC**

	<b>Number of Vendors</b>	<b>Income Not Reported</b>
2001	19	\$35,800
2002	21	\$32,365
2003	23	\$70,118
Total		<u>\$137,283</u>

For FY 2001, 2002, and 2003, we calculated earnings of \$137,283 that were not reported as income on tax filings, which resulted in lost income tax revenue to the Government of Guam. We recommend that the CV issue Form 1099-MISC to all individuals (including prior years) who provide services of at least \$600 each calendar year. This matter has been referred to the DRT for review.

**Other Areas of Concern**

Under Qualifying Certificate No. 219 (QC), Company 1 is to annually contribute \$25,000 to the Guam Economic Development and Commerce Authority (GEDCA) for the maintenance and upkeep of the public restrooms at the Chamorro Village complex for a period of ten years beginning June 5, 1998.

We found that check number 32165 dated May 23, 2003, intended for the upkeep of CV restrooms for FY 2002, was deposited into the Department of Chamorro Affairs primary account and not transferred to the CV for the restroom maintenance costs. This has resulted in a shortfall of money available for the upkeep of the restrooms. The \$25,000 deposited into the Department of Chamorro Affairs was used to fund the operations for the 2003 Guam Micronesian Island Fair.

In OPA Report No. 04-06, Department of Chamorro Affairs Non-Appropriated Funds, issued in June 2004, we recommended the DCA transfer the \$25,000 payment to the CV per the GEDCA QC. To date, the President of DCA has not transferred the \$25,000.

Record keeping for Qualifying Certificate No. 219 expenses is not maintained in a timely manner and the GEDCA is issuing QC payments before an expenditure report is available for review.

The CV maintains a QC Contribution Expenditure Register to track the expenses for the annual \$25,000 QC payment for the maintenance and upkeep of the restrooms. The FY 2003 expense record was not available, although the fiscal year had ended one year ago. We also found that GEDCA had issued the FY 2003 QC payment in March 2004, although the FY 2003 expenditure register was not compiled. Table 7 summarizes the QC payments for all three years.



**Photo 5:** Inside one of the restrooms at the Chamorro Village.

**Table 7: Qualifying Certificate Revenues and Expenses**

Fiscal Year	QC Payment	Check Date	Deposit Date	Account
FY 2001	\$25,000	12/12/2001	12/14/2001	Guam Public Market Revolving Fund
FY 2002	\$25,000	5/23/2003	5/29/2003	DCA Primary Account <sup>9</sup>
FY 2003	\$25,000	3/2/2004	3/5/2004	Guam Public Market Revolving Fund

We observed all eight restrooms on three randomly selected days to determine if the restrooms were being maintained in a reasonably sanitary manner and stocked with adequate supplies to comply with QC 219 requirements. We found that both the men’s and women’s restrooms were adequately stocked with supplies such as toilet tissue, paper towels, and soap. However, the men’s restroom rated fairly cleaned and the women’s restroom rated poorly cleaned.

To correct these deficiencies, we recommend (1) the DCA President transfer the \$25,000 QC payment to the CV and (2) GEDCA establish written procedures for the administration and use of the CV maintenance fund, issue QC checks directly to the CV after expenditure reports are reviewed, and perform periodic inspections to ensure the upkeep of CV restrooms.

<sup>9</sup> This payment was deposited to the Department of Chamorro Affairs and , to date; the payment has not been transferred to CV.

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## **Recommendations**

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### **Recommendation to the Chairman of the Department of Chamorro Affairs Board of Trustees:**

We recommend that the Chairman of the Board of Directors instruct the President of the Department of Chamorro Affairs:

1. Develop and implement accounting procedures to generate monthly and annual financial reports, provide appropriate separation of duties among the CV staff, perform monthly bank reconciliations, and adequately train employees to perform the bookkeeping duties and utilize accounting software for these functions.
2. Enforce the existing collection policy, disseminate the policy to all tenants to ensure timely renewals of leases, and collect from delinquent tenants. If tenants cannot pay within 90 days, a tenant waiting list should be utilized to ensure the suites are economically viable. In addition, appropriate legal action may need to be pursued for collections.
3. Take immediate action to implement a comprehensive marketing plan to better utilize the CV, make appropriate adjustments to lease rates and common area fees, and establish a Business Selection Committee to ensure all applicants are given an opportunity to start a business.
4. Do not allow Night Market vendors who have not paid before 5:00 PM Tuesday to utilize CV facilities.
5. Develop and implement written procedures to ensure that requirements for procurement of supplies and services are complied with and staff become familiar with Guam procurement laws and regulations. These procedures should include an appropriate method of rotating entertainers for the Wednesday Night Market.
6. Issue Form 1099-MISC to all individuals (including prior years), who provide services of at least \$600 each calendar year.
7. Transfer \$25,000 to the CV per Qualifying Certificate 219 for restroom maintenance.

### **Recommendation to the Administrator of the Guam Economic Development and Commerce Authority:**

8. Establish written procedures for the administration and use of the Chamorro Village restroom maintenance funded by Qualifying Certificate 219, issue QC checks directly to the Chamorro Village after expenditure reports are reviewed, and perform periodic inspections to ensure the upkeep of the CV restrooms.

The legislation, creating the Office of the Public Auditor, requires agencies to submit an action plan to implement audit recommendations within six months after report issuance. Accordingly, our office will be contacting you to provide the target date and title of the official responsible for implementing the recommendations.

We appreciate the cooperation shown by the Department of Chamorro Affairs and the Guam Economic Development and Commerce Authority.

OFFICE OF THE PUBLIC AUDITOR

A handwritten signature in black ink, appearing to read "Doris Brooks".

Doris Flores Brooks, CPA, CGFM  
Public Auditor

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**Appendix 1:**  
**Classification of Monetary Amounts**

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Finding Area	Unrealized Revenues	Cost Exceptions
A. Internal Control Needed for Fund Accountability	\$ -	\$ -
B. Rules and Regulations Need To Be Followed		
Commercial Lease Agreements	\$ 11,040	\$ -
Wednesday Night Market	\$ 3,201	\$ -
Special Agreements	\$ 4,550	\$ 3,791
C. Comply With Guam Procurement Laws and Regulations		
Purchase Orders	\$ -	\$ 139,462
Preferential Treatment	\$ -	\$ 1,151
Preferential Night Market Entertainers	\$ -	\$ 30,478
D. Form 1099-MISC	\$ -	\$ -
E. Other Areas of Concern		
Qualifying Certificate 219	\$ 25,000	\$ -
Total	\$ 43,791	\$ 174,882

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## **Appendix 2:**

# **Objective, Scope and Methodology**

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The audit objective was to determine whether the non-appropriated funds of the Chamorro Village were properly managed and accounted for in accordance with applicable laws and regulations. The audit scope included a review of the Chamorro Village Rules and Regulations, the Chamorro Village checking account and bank related documents, purchase orders, contracts, tenant lease agreements, receipts, disbursements, Qualifying Certificate 219, and other relevant documents for FY 2002 and 2003. For comparative and analytical purposes, tenant lease agreements, receipts, and disbursements included data from FY 2001.

The audit methodology included gaining an understanding of the policies, procedures, and applicable laws and regulations pertaining to the Chamorro Village. We reviewed the controls over cash transactions (i.e. receipts and disbursements) and the controls over the procurement of goods and services.

We determined that the CV had 4,915 receipts, totaling \$652,283, 772 disbursements, totaling \$700,265, and 421 purchase orders totaling \$767,534 for FY 2002 and 2003. We judgmentally selected and tested the following:

- 98 receipts, totaling \$23,070, to determine whether receipts were accurately accounted for, recorded, and deposited.
- 46 disbursements, totaling \$213,496, to determine if disbursements were duly authorized, recorded, and documented. Disbursements tested included all 16 payments totaling \$31,256, to one vendor for consulting services.
- 60 purchase orders, totaling \$254,519, to determine if procurement activities were in compliance with Guam procurement laws and regulations. Purchase orders tested included all 14 purchase orders totaling \$31,256 for one vendor for consulting services.

Our audit was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Accordingly, we obtained an understanding and performed an evaluation of the internal controls of the Chamorro Village. We included tests of records and other auditing procedures that were considered necessary under the circumstances.

Internal control weaknesses were identified and are discussed in the Results of Audit section of the report.

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## **Appendix 3:**

# **Prior Audit Coverage**

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In May 1996, OPA Report No. PA-02-96, *Management Audit of the Department of Commerce* covering fiscal years 1993, 1994, and 1995 cited management problems at the Chamorro Village. These problems included: no operational budgets, total expenditures were more than revenue realized, no permanent employees assigned to the Chamorro Village, inadequate controls of the Public Market revolving fund, and the lack of attention to the sanitation of restroom facilities and to the control of the growing population of flies in the main dining area.

The report recommended that in order to achieve its goals and objectives, the Chamorro Village must improve business activities, increase revenues realized to match expenditures, assign permanent employees to handle operations, maintain cleanliness and sanitation of its facilities, and implement a marketing plan focused on the promotion of the Chamorro Village to attract more customers.

On August 10, 1996, the Director of Commerce responded that rules and regulations have been developed that address the issues regarding rental rates and a comprehensive marketing plan. The Director stated that with regards to control over the fund, procedures were implemented that require expenditures to be reviewed by the Administrative Assistant and authorized by the Director.

With regards to the revenues of the market, rules and regulations that reinstate rental rates that were abated in 1995 would ensure steady revenues to sustain the operations of the CV. These increased revenues could be used to institute a comprehensive marketing plan, a requirement stipulated in the proposed rules and regulations. In 1996, the rules and regulations were awaiting Legislative approval.

However, we found that these deficiencies continue to occur as discussed in the Results of Audit section of this report.

## Appendix 4: Chamorro Village Receipts and Disbursements

Statement Date	Beginning Balance	Receipts	Disbursements	Ending Balance
October 1 - 31, 2000	\$ 108,348.49	\$ 24,842.79	\$ 18,234.59	\$ 114,956.69
November 1 - 30, 2000	\$ 114,956.69	\$ 26,472.39	\$ 13,932.23	\$ 127,496.85
December 1 - 31, 2000	\$ 127,496.85	\$ 34,014.88	\$ 8,842.04	\$ 152,669.69
January 1 - 31, 2001	\$ 152,669.69	\$ 29,410.05	\$ 35,888.26	\$ 146,191.48
February 1 - 28, 2001	\$ 146,191.48	\$ 28,587.30	\$ 25,792.22	\$ 148,986.56
March 1 - 31, 2001	\$ 148,986.56	\$ 39,385.26	\$ 19,503.22	\$ 168,868.60
April 1 - 30, 2001	\$ 168,868.60	\$ 24,252.55	\$ 16,012.66	\$ 177,108.49
May 1 - 31, 2001	\$ 177,108.49	\$ 27,043.21	\$ 10,975.99	\$ 193,175.71
June 1 - 30, 2001	\$ 193,175.71	\$ 38,145.40	\$ 16,813.00	\$ 214,508.11
July 1 - 31, 2001	\$ 214,508.11	\$ 36,634.48	\$ 14,094.77	\$ 237,047.82
August 1 - 31, 2001	\$ 237,047.82	\$ 37,594.60	\$ 52,807.30	\$ 221,835.12
September 1 - 30, 2001	\$ 221,835.12	\$ 28,218.00	\$ 13,159.17	\$ 236,893.95
<b>FY 2001 Total</b>		<b>\$ 374,600.91</b>	<b>\$ 246,055.45</b>	
October 1 - 31, 2001	\$ 236,893.95	\$ 31,240.49	\$ 21,252.73	\$ 246,881.71
November 1 - 30, 2001	\$ 246,881.71	\$ 25,924.30	\$ 18,825.15	\$ 253,980.86
December 1 - 31, 2001	\$ 253,980.86	\$ 60,871.73	\$ 27,779.11	\$ 287,073.48
January 1 - 31, 2002	\$ 287,073.48	\$ 22,026.48	\$ 18,278.33	\$ 290,821.63
February 1 - 28, 2002	\$ 290,821.63	\$ 36,061.54	\$ 14,886.53	\$ 311,996.64
March 1 - 31, 2002	\$ 311,996.64	\$ 29,785.28	\$ 24,373.53	\$ 317,408.39
April 1 - 30, 2002	\$ 317,408.39	\$ 23,749.18	\$ 22,812.60	\$ 318,344.97
May 1 - 31, 2002	\$ 318,344.97	\$ 38,071.87	\$ 34,089.21	\$ 322,327.63
June 1 - 30, 2002	\$ 322,327.63	\$ 32,422.89	\$ 13,150.76	\$ 341,599.76
July 1 - 31, 2002	\$ 341,599.76	\$ 14,327.65	\$ 2,542.00	\$ 353,385.41
August 1 - 31, 2002	\$ 353,385.41	\$ 31,901.94	\$ 53,169.82	\$ 332,117.53
September 1 - 30, 2002	\$ 332,117.53	\$ 18,641.92	\$ 36,487.87	\$ 314,271.58
<b>FY 2002 Total</b>		<b>\$ 365,025.27</b>	<b>\$ 287,647.64</b>	
October 1 - 31, 2002	\$ 314,271.58	\$ 23,316.38	\$ 36,242.44	\$ 301,345.52
November 1 - 30, 2002	\$ 301,345.52	\$ 16,888.39	\$ 32,579.12	\$ 285,654.79
December 1 - 31, 2002	\$ 285,654.79	\$ 10,133.19	\$ 17,881.48	\$ 277,906.50
January 1 - 31, 2003	\$ 277,906.50	\$ 13,550.06	\$ 46,767.22	\$ 244,689.34
February 1 - 28, 2003	\$ 244,689.34	\$ 15,062.50	\$ 2,054.35	\$ 257,697.49
March 1 - 31, 2003	\$ 257,697.49	\$ 39,102.55	\$ 32,006.21	\$ 264,793.83
April 1 - 30, 2003	\$ 264,793.83	\$ 27,937.21	\$ 30,350.65	\$ 262,380.39
May 1 - 31, 2003	\$ 262,380.39	\$ 31,228.21	\$ 38,673.14	\$ 254,935.46
June 1 - 30, 2003	\$ 254,935.46	\$ 22,652.77	\$ 6,545.00	\$ 271,043.23
July 1 - 31, 2003	\$ 271,043.23	\$ 24,045.81	\$ 51,575.07	\$ 243,513.97
August 1 - 30, 2003	\$ 243,513.97	\$ 33,113.93	\$ 16,696.75	\$ 259,931.15
September 1 - 31, 2003	\$ 259,931.15	\$ 30,708.79	\$ 83,572.94	\$ 207,067.00
<b>FY 2003 Total</b>		<b>\$ 287,739.79</b>	<b>\$ 394,944.37</b>	
<b>Grand Total</b>		<b>\$1,027,365.97</b>	<b>\$ 928,647.46</b>	

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**Appendix 5:****Chamorro Village Rental Rates from 1996 to 2003<sup>10</sup>**

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Type of Vendor	Amount	5% Common Area Fee	Total	Square Feet	Cost Per Sq. Ft
Local Products/Dry goods	\$ 240.72	\$ 12.04	\$ 252.76	200	\$ 1.26
Food	\$ 624.80	\$ 31.24	\$ 656.04	200	\$ 3.28
Produce	\$ 120.36	\$ 6.02	\$ 126.38	200	\$ 0.63
Nursery	\$ 120.36	\$ 6.02	\$ 126.38	200	\$ 0.63
Seafood	\$ 245.44	\$ 12.27	\$ 257.71	200	\$ 1.29
Traditional Arts	\$ 72.22	\$ 3.61	\$ 75.83	200	\$ 0.38
Center Pavilion (Daily Rate)					
Facility User Fee	\$ 125.00	Not applicable	\$ 125.00		
Deposit Fee	\$ 100.00	Not applicable	\$ 100.00		
Sagan Dinana					
Facility User Fee	\$ 100.00	Not applicable	\$ 100.00		
Deposit Fee	\$ 100.00	Not applicable	\$ 100.00		
Entire Mini-pavilions					
Facility User Fee	\$ 100.00	Not applicable	\$ 100.00		
Deposit Fee	\$ 100.00	Not applicable	\$ 100.00		
Individual Mini-pavilions					
Facility User Fee	\$ 5.00	Not applicable	\$ 5.00		
Deposit Fee	\$ 10.00	Not applicable	\$ 10.00		
Conference Meeting Room	\$ 25.00	Not applicable	\$ 25.00		
Deposit Fee	\$ 25.00	Not applicable	\$ 25.00		

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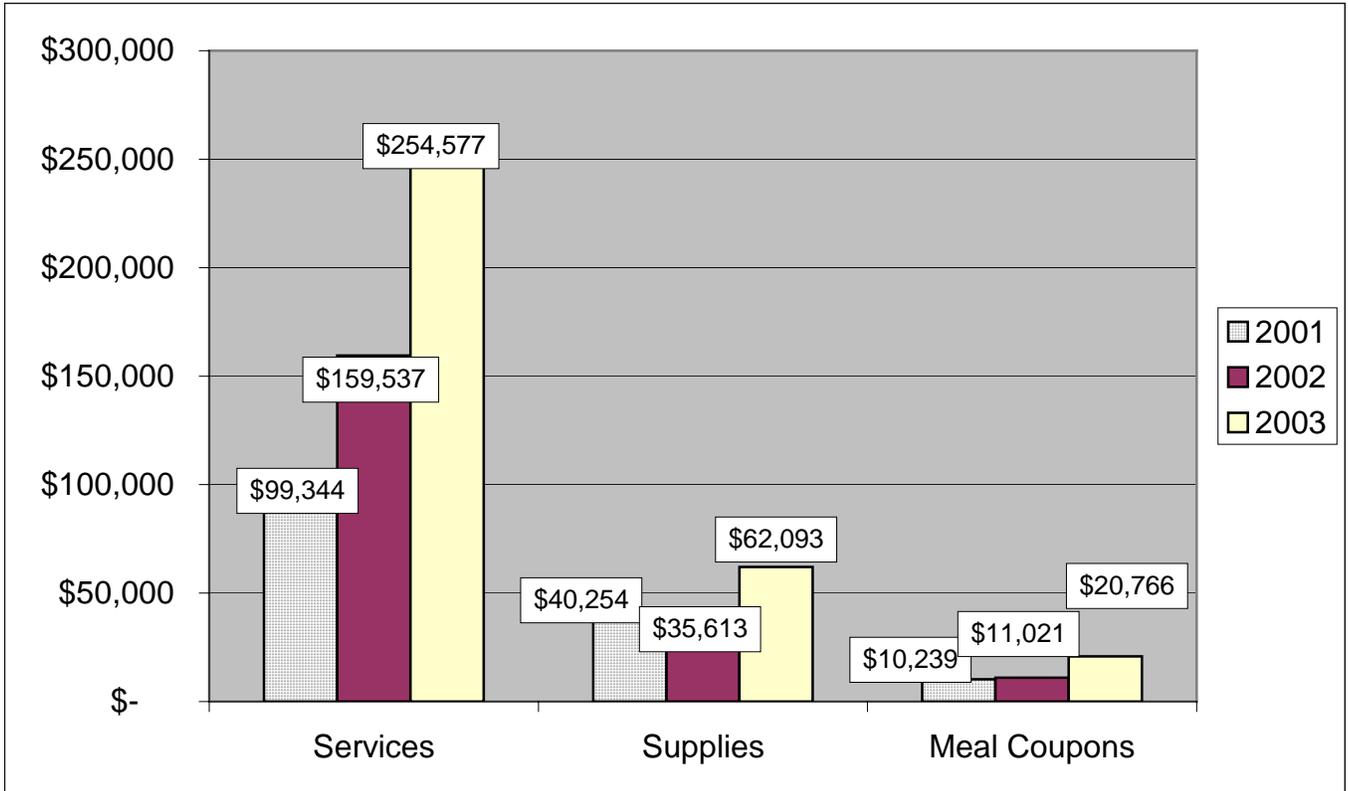
<sup>10</sup> These rates have not changed since 1996.

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**Appendix 6:**  
**Comparison of Expenditures by Fiscal Year**

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**Fiscal Years 2001 to 2003**



# Appendix 6: Management Response



## Department of Chamorro Affairs

Honorable Felix P. Camacho  
Governor of Guam

Honorable Kaleo S. Moylan  
Lt. Governor of Guam



cc: Doris ✓  
cc: chron  
file

October 11, 2004

Received by Office of the  
Public Auditor

10/11/04 2:20 PM

Ms. Doris Flores Brooks  
Public Auditor  
Office of the Public Auditor  
Suite 401, Pacific Daily News Bldg.  
238 Archbishop Flores Street.  
Hagatna, Guam 96910

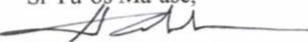
Subject: Response to Performance Audit on Chamorro Village Non-Appropriated Funds  
(OPA Report No. 04-10)

Hafa Adai Ms. Brooks:

The Chairman of the Board of Trustees and the management of Chamorro Affairs/Chamorro Village reviewed and discussed the findings of the OPA Audit Report No. 04-10.

We concur with the findings and will rectify the issues pointed out on the report. We will follow each recommendations noted and work towards the implementation as quickly as possible. The management will work with the Public Auditor to the follow-up on the report, to review all corrected measures, and identify other means of compliance to the policies and regulations governing Chamorro Village operations.

Si Yu'os Ma'ase,

  
Johnny Sablan  
Acting President

Cc: Board of Trustees  
Office of the Governor

RECEIPT ACKNOWLEDGED:

By: \_\_\_\_\_  
Date: \_\_\_\_\_

1st floor Manuel F.L. Guerrero Bldg. Aspinall Avenue • P.O. Box 2950 Hagatña, Guam 96932 • Tel No. (671) 475-4278/9 Fax (671) 475-4227

DIBISION FINO' YAN KOTTURAN CHAMORRO  
Chamorro Language and Culture Division

I SENGSONG CHAMORRO  
Chamorro Village

DIBISION IRENHA  
Heritage Preservation Division

DIBISION INALIGAO, TINIGE', YAN FINA'HA'GUE  
Research, Publications and Training Division

DIBISION FANHADAHEN KOIAI GUANAH YAN SAGAN RIKUETDON  
Guam Museum & Archives Division

Aturidad Inadilanton



Ikunumihan Guahan

**Governor**  
Felix P. Camacho

**Lieutenant Governor**  
Kaleo S. Moylan

October 5, 2004

Mrs. Doris Flores Brooks, CPA, CGFM  
Public Auditor  
Office of the Public Auditor  
Suite 401, Pacific News Building  
238 Archbishop Flores Street  
Hagåtña, Guam 96910

Received by Office of the  
Public Auditor  
J. 9:10 AM  
10/7/2004

RE Draft Audit Report No. 04-06, Non-appropriated funds of the Chamorro Village, Division of the Department of Chamorro Affairs, Government of Guam.

Hafa A'dai Mrs. Brooks:

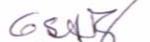
We thank you for the opportunity to provide our comments regarding the referenced audit report as it pertains to the contributions provide through Qualifying Certificate No. 219. We agree with the findings and the need for administrative procedures to ensure accountability of fund contributions.

We would point out that the recommendation for GEDCA to conduct inspections of the restroom facilities is beyond our mandates, besides not having statutory authority to enforce public health related infractions.

However, GEDCA will take steps to monitor compliance under contractual arrangement between Beneficiary and DCA. Accordingly, we are providing for your review the enclosed administrative procedures for the Chamorro Village Restroom Maintenance Fund. Should the OPA concur with these procedures, it will be forwarded to the DCA for application.

The Authority is appreciative of the support your auditors have demonstrated to our compliance and internal audit staff throughout this audit. Should you have any questions concerning our response, please call Mrs. Melissa Sablan, Compliance Supervisor at 647-4332 ext. 112.

Si Yu'os Ma'åse,

  
Gerald S.A. Perez  
Administrator

Enclosure

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www.investguam.com

**Chamorro Village Restroom Maintenance Fund  
Administrative Procedures**

These procedures were developed in accordance with the recommendations of the Office of the Public Auditor following deficiencies cited in OPA Report No. 04-06 pertaining to the use of the contributions made available through QC No. 219. Throughout these procedures, the use of these funds, and accountability of its authorizers, is reiterated.

GEDCA recognizes that the procedures include administrative tasks and sanitary inspections that are beyond GEDCA's mandates. However, in an effort to assist in correcting the deficiencies cited by the OPA, GEDCA will take the necessary steps to monitor compliance of the contractual arrangement between Beneficiary and Benefactor.

1. The CV shall, on an annual basis, maintain records of all expenditures authorized to support the use of the contributions. Annually, the CV shall provide GEDCA with copies of its maintenance records for its review and approval. GEDCA shall forward copies of the expenditures to the Office of the Public Auditor or Inspector General as requested.
2. GEDCA shall also conduct random monthly inspections to visually verify that the restroom facilities at the complex are properly stocked and maintained. GEDCA shall provide a copy of the inspection report and its recommendation to the Chamorro Village. GEDCA shall forward copies of the inspection reports and its recommendation to the Office of the Public Auditor and Inspector General as requested.
3. Following the approval of the annual expenditures and visual inspection, GEDCA shall instruct the Beneficiary of QC No. 219 to forward the \$25,000 contribution to the Chamorro Village for reimbursement of eligible expenditures pursuant to Section 3.13 of QC No. 219. GEDCA shall be copied for record.
4. Should the CV or DCA outsource the maintenance work, a copy of such contract and scope of services shall be provided to GEDCA.
5. Should the CV or DCA misrepresent the expenditures, or use these contributions for unauthorized purposes, the funds must be reimbursed to the contributing Beneficiary, and made available to the Office of the Public Auditor or Inspector General while conducting its audit. Should CV or DCA fail to reimburse the Beneficiary within a reasonable time, GEDCA, with the consent of the Beneficiary, shall identify another potential recipient of such funds and proceed with the amendment process accordingly.

Reviewed by and concurred with:

Date: October 5, 2004

\_\_\_\_\_  
Johnny Sablan  
Acting President  
Department of Chamorro Affairs

\_\_\_\_\_  
Victor Duenas  
Manager  
Chamorro Village

\_\_\_\_\_  
Gerald S.A. Perez  
Administrator  
Guam Economic Development  
and Commerce Authority