



## OFFICE OF PUBLIC ACCOUNTABILITY

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www.opaguam.org

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### Department of CHamoru Affairs – FY 2020 Financial Highlights

October 19, 2021

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Department of CHamoru Affairs' (DCA) Non-Appropriated Funds (NAF) financial statements, report on compliance and internal control, management letter, and auditor's communication with those charged with governance for fiscal year (FY) 2020. DCA reported a \$58 thousand (K) increase in its net position (net income) for FY 2020, as opposed to FY 2019's decrease in net position (net loss) of \$660K. Independent auditors Ernst & Young LLP expressed an unmodified (clean) opinion on the financial statements of DCA's FY 2020 NAF but identified one material weakness in the DCANAF's internal control over financial reporting.

The release of this audit was delayed due to the untimely preparation of financial reports by the agency. As of October 2021, DCA did not contract/employ a full-time trained and experienced accountant/bookkeeper to handle accounting processes and assist with financial reporting. This audit observation and audit finding was noted in the agency's FY 2018 Management Letter and FY 2019 Report on Internal Control and Compliance.

The FY 2020 audit includes the NAFs of (1) CHamoru Village; (2) Guam Museum; (3) Research, Publication, and Training (RPT); and (4) the President's Office.

For FY 2020, DCA reported a combined net income of \$58K, compared with FY 2019 combined net loss of \$660K. There were no transfers to other government agencies in FY 2020, as opposed to the prior year's transfers of \$719K. DCA's combined revenues decreased by \$360K (44%), which was mainly due to the \$262K decrease in Lease Revenue. Similarly, its expenditures decreased by \$359K (48%) primarily due to the \$239K reduction in Contractual Expenses. Contractual expenses were significantly reduced due to the closures of the Guam Museum and CHamoru Village and the omission of contractual services in its renewed contract.

#### **CHamoru Village**

For FY 2020, CHamoru Village recognized a net loss of \$68K, compared with a \$6K net loss in FY 2019. Total reported revenues decreased by \$236K, from \$536K in FY 2019. The decrease in revenues is attributed to the closure of the CHamoru Village operations between March 16, 2020 and the last quarter of FY 2020. The CHamoru Village was closed pursuant to Executive Order made in response to the COVID-19 global pandemic. Expenses decreased by \$175K, from \$542K in FY 2019. The majority of the DCANAF revenues and expenses were from CHamoru Village activities.

#### **Guam Museum**

For FY 2020, the Guam Museum recognized a net income of \$125K, which was \$38K more than FY 2019's net income of \$87K. Revenues decreased by \$122K (46%) from \$267K in FY 2019 to \$145K in FY 2020. This was mainly due to the closure of the Guam Museum on March 16, 2020, per Executive Order made in response to the COVID-19 global pandemic. The Guam Museum remained closed until



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the last quarter of FY 2020, thus only generating revenue from tours and/or events from October 2019 through March 2020. Similarly, FY 2020 expenses decreased by \$160K from FY 2019 as a result of the omission of collections management and collection assistance from the renewed contract with the Guam Museum operations contractor. There was an expense of only \$8K for Contractual during the current year compared with \$164K of the prior year.

### **Research, Publication, and Training (RPT)**

The RPT Division was established to develop articulated curriculum and course text for mandated courses in Guam's schools and institutions of higher learning related to Guam's history, language, and culture. For FY 2020, the Division recognized a net income of \$2K, as opposed to the \$4K net loss in FY 2019. For FY 2020, RPT did not recognize a Provision for Obsolescence, which was \$8K in FY 2019.

### **President's Office**

For FY 2020, the President's Office recognized a minimal net loss of \$1K, as opposed to the \$14K net loss in FY 2019. This was mainly due to the \$12K reduction in its expenses.

### **Compliance Report and Management Letter**

The external auditors identified one material weakness in DCANAF's internal control over financial reporting, which is a repeat finding of the prior years. They found that DCA does not have a full-time, qualified accountant to handle the accounting process of the various non-appropriated funds, resulting in:

- Inadequate financial statement close process;
- Prior audit adjusting entries not being recorded;
- Improper cut off of accounts payable; and
- A significant amount of credit balance in the trade receivables.

Per auditor's recommendation, maintaining an experienced, full-time Accountant would ensure that financial statements could be generated timely.

According to DCA management, in FY 2021, they employed two additional administrative staff sufficient enough to allow the segregation of duties. DCA will begin the procurement process for bookkeeping services from a qualified and certified firm to assist in handling the accounting process for all DCANAFs on or before December 1, 2021.

In a letter to management, the auditors commented on two deficiencies:

- Lack of segregation of duties, which increases the risk of errors not being detected, opportunity to misappropriate cash, and record fictitious entries; and
- The aging accounting system (QuickBooks 2017 version), which may be vulnerable to cybersecurity risks, crashes, and system downtime, decreased productivity, and legal and regulatory compliance risks.



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In the interest of full disclosure, the Public Auditor acknowledges that: (a) he and the Chairman of the Board have a close familial relationship and worked together for several decades; (b) the Vice Chair is his *komaire* and that they have been lifelong friends; and (c) he and the Guam Museum's contractors have been friends for many years.

Refer to the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) for a detailed discussion of DCA operations.