



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 04-06 June 2004

Department of Chamorro Affairs Performance Audit of Non-Appropriated Funds October 1, 2000 through September 30, 2003

The Office of the Public Auditor (OPA) initiated a performance audit of the Department of Chamorro Affairs' (DCA) five checking accounts at the request of the current DCA President. The audit's objectives were to evaluate the accountability of the non-appropriated funds and checking accounts of DCA for fiscal years 2001 through 2003.

In 1999, pursuant to Public Law 25-69, the DCA Board of Trustees established five checking accounts although the law authorized the creation of six funds within DCA. These funds and accounts are to be maintained separate and apart from other funds. The five checking accounts established are:

1. The Department of Chamorro Affairs (the primary bank account),
2. *I Inaligao, Tinige' Yan Fina'na'gue* (Chamorro Heritage Institute Planning Group),
3. *I Kottura* (Chamorro Language Commission),
4. *I Kosas* (Guam Museum), and
5. *I Sagan Rikuetdon* (Chamorro Archives).

The Chamorro Village complex, under the management of DCA, maintains a sixth checking account, which will be covered in a separate audit report.

Because of the lack of reports, we reconstructed financial data for the three-year period and found that collectively, receipts were \$686,830 and disbursements were \$598,534 during the three-year period.

Our audit found significant deficiencies in controls over cash:

- No monthly or annual financial reports and no accounting software to record financial activities;
- Unknown and unaccounted cash deposits of \$ 84,996;
- Unsupported and unauthorized disbursements of \$471,704, including no cancelled checks for \$11,000 spent from the DCA primary account;
- No pre-numbered receipt books were used therefore, it cannot be reasonably assured that all revenues received were accounted for and deposited to the bank accounts;
- A \$2,097 check payable to the Guam Archives account was cashed but never deposited into the checking account;
- No bank reconciliations for any of the five checking accounts;
- Lack of custody and control over the Guam Museum donation box; and
- No deposits of donations into the Guam Museum checking account for 15 months when it was located at Adelup and for two months while located at the Guam Premier Outlets;

DCA has not followed procurement regulations consistent with promoting fair and open competition:

- A former elected official was awarded a contract to develop a new Chamorro English dictionary without the benefit of a publicized request for proposal. The individual was paid \$28,254 but DCA never received a draft of the dictionary;
- A 50% advance of \$6,270 was paid to a vendor for financial services on December 30, 2002, only nine days before the new administration took office while the only work performed by the vendor was a meeting with section heads.
- Contracts were given to unlicensed vendors.

Other findings include:

- \$25,000 received as part of the qualifying certificate program for the cleaning of restrooms at the Chamorro Village was used by DCA for other purposes.
- \$240,000 in-kind contributions available through another qualifying certificate since 1997 has never been fully utilized.
- DCA did not issue Form 1099-MISC to report payments DCA made to individuals for their services. If these earnings were not reported as income on tax filings, this would result in lost income tax revenue.
- A DCA employee worked at a second job while on government time.

Our recommendations to the Department of Chamorro Affairs include:

- Install an accounting software system to record cash receipts and disbursements and other financial activities.
- Update policies and procedures to include cash management procedures.
- Comply with GSA Procurement Regulations.
- Comply with the Internal Revenue Code by issuing Form 1099-MISC.
- Pursue collection of \$6,270 or its equivalent in services from the vendor who was supposed to provide financial services.
- Request a working draft of the Chamorro English Dictionary or recover money paid to the former elected official for non-performance.
- Abolish all accounts except one.

We recommend the Legislature enact legislation to abolish five DCA funds and retain only one fund and one Board of Trustees.

Based on our audit it is evident that DCA was not prepared to be responsible for and manage so many checking accounts and funds. We recommend that the Legislature be more deliberate in permitting agencies to have control over non-appropriated funds or even their own appropriations. It would be preferable to require that non-appropriated funds of such agencies be deposited with the General Fund and controlled through the Department of Administration.



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Public Auditor