



Guam Department of Chamorro Affairs FY 2016 Financial Highlights

May 11, 2017

The Department of Chamorro Affairs (DCA) Non-Appropriated Funds closed Fiscal Year (FY) 2016 with a \$180 thousand (K) decrease in net position (net loss) compared to a decrease of \$50K in the prior year. Independent auditors Ernst & Young, LLP expressed an unmodified (clean) opinion on DCA Non-Appropriated Funds financial statements. In addition, the auditors proposed 11 adjustments to correct errors initially made by DCA, which cumulatively decreased the change in net position by \$260K.

DCA was reorganized with all cultural and learning resources by merging the Hagatna Restoration and Redevelopment Authority (HARRA), the Guam Council on the Arts and Humanities Agency (CAHA), Guam Public Library System (GPLS), and Guam Education Telecommunications Corporation dba PBS Guam/KGTF. This audit only includes the Non-Appropriated Funds of (1) Chamorro Village; (2) the President's Office; (3) Research, Publication, & Training (RPT); (4) Council on the Arts and Humanities Agency (CAHA); (5) Festival of the Pacific Arts (FESTPAC); and (6) Percent for the Arts. DCA had two major events during the year, FESTPAC and the opening of the Guam Museum, which skewed DCA's normal operations.

Festival of Pacific Arts

Guam hosted for the first time the 12th FESTPAC from May 22, 2016 to June 04, 2016, in which the Governor of Guam appointed CAHA as the lead agency. The Guam Visitors Bureau (GVB) initially transferred \$4.3M to CAHA. Subsequently, it was determined that GVB would take over the contracting and payments of FESTPAC activities. As a result, CAHA transferred back to GVB \$1.7M, leaving CAHA with net FESTPAC appropriations of \$2.6M. CAHA also received \$320K in fundraising proceeds, donations, and other income.

FESTPAC-related expenses amounted to \$3.1M, as follows: \$2.2M for the construction of the festival huts, \$800K for the events management services, and \$135K paid for supplies, contractual services, and marketing and promotional expenses. A retention balance of \$210K has yet to be paid to the contractor as CAHA is awaiting the Attorney General's clearance. OPA is conducting a follow-up audit of FESTPAC revenues and expenditures.

Guam Museum

In March 2016, DCA entered into a two-year contract with a vendor to manage, operate, and maintain the Guam Museum. In November 2016, the Guam Museum officially opened its doors to the public.

The contract states that all admission and other fees shall be deposited in a separate account within DCA specifically for museum operations. However, DCA has not established the separate account and the vendor is the one currently receiving all fees. As of FY 2016, the vendor was paid \$1.5M from various appropriations, such as the Tourist Attraction Fund.

Chamorro Village

Chamorro Village provides a venue for local art and retailers who sell Chamorro food, local arts and crafts, as well as entertainment by cultural dance groups. Chamorro Village lease revenue increased by \$20K from \$493K in FY 2015 to \$514K in FY 2016. However, Chamorro Village suffered a loss of \$52K due to a \$35K increase in miscellaneous expenses. The top three expenses were utilities, contractual, and meals and entertainment.

Total assets, including cash and accounts receivable of the Chamorro Village, totaled \$16K in FY 2016, while liabilities amounted to \$143K, resulting in a net loss of \$127K. Executive Order 2017-02, which was issued in February 2017 will transfer the Chamorro Village to the Guam Economic Development Authority. The transfer is expected to take place in May 2017.

Research, Publication, and Training

RPT conducts, researches, publishes and produces multi-media and print materials relating to Guam Heritage. RPT revenues increased by \$1K, going from \$2K in FY 2015 to \$3K in FY 2016. RPT's expenses decreased by approximately 70%, going from \$13K in FY 2015 to \$4K in FY 2016.

President's Office

The President's Office is responsible for the day to day operations of DCA and administers programs and policies. The President's Office retained revenue of \$7K from donations and other income, but suffered a loss of \$358 in FY 2016.

Council of the Arts and Humanities

CAHA encourages and fosters the participation in the arts and humanities with programs for citizens of all ages in the community. CAHA's revenues decreased by approximately \$1K in FY 2016, going from \$18K in FY 2015 to \$17K in FY 2016. However, CAHA's expenses in FY 2016 amounted to approximately \$21K, which caused a net loss of \$3K.

Percent for the Arts

The Percent for the Arts program provides grants to local individual and organizations for fostering and developing arts that benefit the local community. 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. In FY 2016, \$103K was reported in revenue compared to \$5K in FY 2015. There were no expenses in FY 2016.

Compliance Report and Management Letter

The independent auditors found that (1) the purchases and the corresponding payables were not recorded upon receipt of purchases goods or services; and (2) outstanding checks and deposits in transit that are more than 3 months old are included in the bank reconciliations. In a separate management letter, three findings were identified involving: (1) prepaid expenses, (2) inventory and cost of sales, and (3) segregation of duties.

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.