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Department of Chamorro Affairs – FY 2021 Financial Highlights

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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 auditor's communication with those charged with governance for Fiscal Year (FY) 2021. DCA reported a \$174-thousand (K) increase in its net position (net income) for FY 2021.

Independent auditors Ernst & Young, LLP expressed an unmodified (clean) opinion on the financial statements of DCA's FY 2021 NAF; however, the auditors identified one repeat material weakness in its internal control over financial reporting relative to the hiring of a qualified accountant.

The FY 2021 audit includes the NAFs of (1) the President's Office; (2) Chamorro Village; (3) Research, Publication, and Training; and (4) the Guam Museum.

For FY 2021, DCA reported a combined net income of \$174K, compared to \$58K in FY 2020. There were no transfers to other government agencies in FY 2021. DCA's combined revenues decreased by \$148K (33%), which was mainly due to the \$162K decrease in other income. Similarly, its expenditures decreased by \$264K (67%) primarily due to reductions of \$125K in utilities and \$96K in contractual.

Chamorro Village Activities Encompasses Majority of DCANAF Revenue and Expenses

The majority of the DCANAF revenues and expenses were from Chamorro Village activities.

For FY 2021, Chamorro Village recognized a net income of \$148K, a \$216K increase from its \$68K net loss in FY 2020. Total revenues decreased by \$51K, and total expenditures significantly decreased by \$266K. The decrease in expenditures was due to significant reductions in utilities by \$125K and contractual expenses by \$93K. Contractual expenses were reduced due to the closure of the Chamorro Village and the omission of contractual services such as their security contract.

Although the novel coronavirus (COVID-19) continued to afflict the island in FY 2021, the Chamorro Village continued its efforts to fill vacant unit spaces for small start-up businesses. These efforts successfully led to the acquisition of eight new merchants at the Chamorro Village.

Guam Museum Recognizes \$17K in Net Income

For FY 2021, the Guam Museum recognized a net income of \$17K, which was \$108K less than FY 2020's net income of \$125K. Revenues decreased by \$107K (74%) from \$145K in FY 2020 to \$38K in FY 2021. In FY 2021, expenses decreased by a minimal \$118.

The Guam Museum remained closed until the last quarter of FY 2020, when operations resumed for private, local, and government events and exhibition tours (by reservation).

Economic Outlook

The impact of COVID-19 on Guam's tourism economy has affected the DCANAF's operations with continued adherence to Executive Orders and the Department of Public Health and Social Services' guidance and protocols. The future economic outlook for DCANAF is uncertain, making it difficult to project what future impact this may have for the department.

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 since FY 2019. 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;
- Audit adjusting entries were improperly recorded;
- Improper cut off of accounts payable; and
- Significant amount of credit balance in the trade receivables.

Per the 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 submitted Requests for Quotations to various vendors with one response with a cost. The cost to provide such services is significantly high and will greatly impact the DCANAF. DCA hopes to correct this finding on or before August 31, 2022.

In a letter to management, the auditors repeatedly commented that due to the small size of the entity, there is a lack of segregation of duties, which increases the risk that errors will not be detected, providing the opportunity to misappropriate cash and record fictitious entries. This deficiency needs to be compensated by a closer review and supervision by management.

In the interest of full disclosure, the Public Auditor acknowledges that: (a) he and the Chairwoman of the Board have a close familial relationship and worked together for several decades, and (b) the Vice Chairwoman is his "*komaire*" and that they have been lifelong friends.

Refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org for a detailed discussion of DCA operations.