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Department of Chamorro Affairs – FY 2022 Financial Highlights

May 31, 2023

Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Department of Chamorro Affairs Non-Appropriated Funds (DCANAF) financial statement report, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2022. The DCANAF’s net position was \$639,000 (K), an increase of \$114K (or 22%) from \$525K in FY 2021.

Independent auditors Ernst & Young LLP expressed an unmodified (clean) opinion on the financial statements but identified a material weakness in the DCANAF’s internal control over financial reporting. The finding was relative to the DCA’s need to hire a qualified accountant and was a repeat finding from FY 2019 through FY 2021.

Combined Statements

The DCANAF’s combined financial statements showed an increase in total revenues of \$141K (or 47%) from \$302K in FY 2021 to \$443K in FY 2022. The increase was largely due to increases in lease revenues by \$98K and other income by \$70K. Lease revenues normalized after the COVID-19 pandemic and other income increased due to the reopening of the Wednesday Night Market.

Total expenses increased by \$202K (or 158%) from \$128K in FY 2021 to \$330K in FY 2022. The increase was largely due to increases in supplies by \$63K, contractual by \$60K, and utilities by \$60K. Costs were incurred for: (a) education events and exhibit development for visitors; (b) repair of air-conditioning units in the Guam Museum; and (c) renovation of the *Sagan Dinanña*’ restrooms. Additionally, the DCA incurred more janitorial costs since operation normalized after the COVID-19 pandemic.

The DCANAF is a culmination of NAF from the following divisions: (1) Chamorro Village, (2) Guam Museum, (3) Research, Publication, and Training, and (4) President’s Office. The main source of revenues for DCANAF comes from the Village’s leasing activities.

The Chamorro Village

The Chamorro Village or *I Sengsong Chamorro* division maintains daily operations of the village to market local products, native culture, and traditions of Guam. The Village’s net position decreased by \$59K (or 40%) from \$148K in FY 2021 to \$89K in FY 2022. The decrease was due to significant increases in expenses for supplies by \$63K, utilities by \$60K, and contracts by \$42K.

In May 2022, the Village successfully reopened the Wednesday Night Market. The influx of visitors since the Village’s reopening indicated a sign of return to normalcy after two years in hiatus due to the COVID-19 pandemic.

Guam Museum

The Guam Museum or *I Faninadahen Kosas Guåhan* serves as the official repository and custodian of historical artifacts relative to Guam’s heritage and makes the artifacts available for public viewing.

The Museum's net position increased by \$17K (or 4%) from \$393K in FY 2021 to \$410K in FY 2022. Revenues earned this year of \$61K was offset by an increase in expenses of \$44K.

The Museum relies greatly on admission fees and rentals to support its education events and exhibit development. In FY 2022, the Museum observed an increase in visitors to the permanent and rotating exhibits. The DCA is hopeful for a substantial increase in visitor arrivals as the Museum reopens its facility.

Research, Publication, and Training

The Research, Publication, and Training or *Inaligao, Tinige', Yan Fina'nå'gue* division provides training, certifications, conferences and seminars to promote understanding of the Chamorro heritage. The division's net position increased by \$8K (or 36%) from \$22K in FY 2021 to \$30K in FY 2022. While revenues earned this year was nearly the same as last year at \$9K, expenses decreased to \$600.

President's Office

The President's Office or *Ufisinan i Må's Ge'Hilo'* promotes the Chamorro culture within and outside of Guam and oversees other departments within DCA. The Office's net position decreased by \$1K (or 7%) from \$16K in FY 2021 to \$15K in FY 2022. The Office did not earn any revenues this year, and expenses decreased by \$1K.

Report on Internal Controls Over Financial Reporting

The independent auditors identified the DCA's lack of a qualified accountant as a material weakness. Similar to the conditions in the past three years, the lack of such personnel resulted in an inadequate process for timely closing the ledgers and preparing the financial statements for the DCANAF. The DCA agreed with the finding and hoped to correct it by August 2023 with the assistance of the Department of Administration.

Management Letter

The independent auditors also identified other deficiencies in the DCA's internal controls, as follows.

- The DCA does not record prior year adjusting entries identified through the financial audit, which resulted in catch-up of adjustments to the net position beginning balance.
- Accounts receivables and payables had credit/debit balances and balances outstanding for more than a year.
- There is no segregation of duties between the preparation and posting of journal entries and the preparation of monthly bank reconciliations. This is a reiteration of a prior year comment.

As such, the comments support the need for a qualified accountant to assist in management review.

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

Disclosure: In the interest of full disclosure, the Public Auditor acknowledges that: (a) he and the Board Chairwoman have a close familial relationship and worked together for several decades; and (b) the Vice Chairwoman is his "*Kumaire/Målle*" and lifelong friend.