



## **Guam Department of Chamorro Affairs FY 2011 Financial Highlights**

March 12, 2012

The Department of Chamorro Affairs (DCA) Non-Appropriated Funds (NAF) closed Fiscal Year (FY) 2011 with a \$37,824 decrease in net assets (loss), the second year of losses. Independent auditors, Eide Bailly, LLP, expressed a qualified opinion for September 30, 2011 and 2010 as a result of a scope limitation related to book inventory balances in 2010. The auditors concluded that the financial statements were fairly presented, with the exception of the inventory balance and book sales/cost of sales due to insufficient support. In addition, auditors made eight adjustments to correct errors initially made by DCA, which had a cumulative effect of decreasing net assets by \$36,173, and identified four findings.

### ***NAF Revenues Decreased***

DCA non-appropriated revenue is a culmination of four divisions within DCA: 1) Chamorro Village, 2) Research, Publication, and Training, 3) Guam Museum, and 4) President's Office. Revenues consist of Chamorro Village leases, 85% or \$496 thousand (K); other income, 9% or \$54K; book sales, 3% or \$19K; and donations, 3% or \$16K. Total non-appropriated revenues decreased by \$129K, from \$714K in FY 2010 to \$585K in FY 2011. Though all categories of revenue declined, significant declines were under grants, donations, and book sales. More donations and book sales were received in 2010 due to DCA's celebration of Mes Chamorro (Chamorro Month), an event that did not occur in 2011.

### ***NAF Expenses Decreased***

Declines in contractual expenses, advertising, office expense, and travel reduced total expenses by \$144K, from \$393K to \$249K. Of the \$144K decline, 44% is attributed to contractual expenses. Due to the closure of the Friday Ocean Night Market at the Chamorro Village, contractual expenses, such as security, maintenance and janitorial services fell by \$63K, from \$270K to \$207K. With an emphasis to reduce overall expenses, office expense dropped by \$39K from \$51K to \$12K, advertising budget was reduced by \$22K, from \$42K to \$20K, and travel expenses declined by \$21K, from \$30K to \$9K.

These decreases were offset by an increase in the entertainment costs related to Chamorro Village. Meals and entertainment costs rose by \$43K, from \$62K to \$104K. During October through December 2010, food for various events amounted to \$42K, which is not considered an appropriate use of DCA funds.

The Chamorro Village is supplemented with five personnel costing \$261K, which is paid by the General Fund. The positions consist of the Chamorro Village Manager, a Program Coordinator I, Maintenance Supervisor, and two Laborers.

### ***Compliance Report and Other Matters***

Four findings, two of which are recurring material weaknesses, were identified in the Report on Compliance with Laws and Regulations. These include DCA's lack of an internal control system designed to provide for the preparation of financial statements and accompanying notes to the financial statements. The remaining findings were instances of noncompliance related to procurement and travel policy concerns.

### ***Accounting Infrastructure***

Eight audit adjustments, compared to 16 audit adjustments in FY 2010, shows an improvement in management's ability to prevent or detect misstatements. Much of the improvements can be attributed to having an Administrative Services Officer who is knowledgeable of their day-to-day activities. However, there is still a reliance on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles, which is not unusual for an organization of this size. Reports provided to financial auditors are still trial balances rather than actual unaudited financial statements. The responsibility of ensuring proper financial reporting should still remain with management. DCA should continue to seek a consultant to update and train staff on accounting principles and accounting software programs, such as QuickBooks or other financial systems that will generate financial reports.

### ***Reorganization of DCA***

DCA is currently undergoing reorganization of all cultural and learning resources. In October 2011, the Hagatna Restoration and Redevelopment Authority, Guam Council on the Arts and Humanities Agency, Guam Public Library System, and Guam Education Telecommunications Corporation dba PBS Guam were merged into DCA.

For a more detailed discussion on DCA's operations, refer to the Management's Discussion and Analysis or view the reports in its entirety at our website at [www.guamopa.org](http://www.guamopa.org).