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Guam Visitors Bureau – Fiscal Year 2022 Financial Highlights

September 28, 2023

Hagåtña, Guam – The Office of Public Accountability released the Guam Visitors Bureau's (GVB) Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance for fiscal year (FY) 2022. Independent auditors, Ernst & Young LLP, issued an unmodified (clean) opinion on GVB's financial statements. However, the Report on Compliance identified material weaknesses and significant deficiencies in internal control over financial reporting, as well as a significant deficiency in internal control over major federal programs.

GVB closed FY 2022 with an increase in its net position of \$1.1 million (M). This increased GVB's cumulative net position to \$8.8M in FY 2022, from the FY 2021 net position of \$7.7M.

Revenues Increased by \$15.6M

GVB's total revenues increased by 261%, from \$6.0M in FY 2021 to \$21.5M in FY 2022. GVB's cash balance increased significantly in FY 2022 due to receiving federal grants such as the Coronavirus State and Local Fiscal Recovery Fund.

Operating revenues for FY 2022 increased by 102%, from \$139 thousand (K) in FY 2021 to \$281.5K. These revenues are derived from Consumption Tax Refunds, other income (sponsorships and donations), and memberships. This change in operating revenues can be largely due to the \$70K (or 123%) increase in the Consumption Tax Refund, which GVB receives from the Japanese treasury on certain expenditures incurred in Japan and reported by the GVB Japan overseas office.

Non-operating revenues increased by 264%, from \$5.8M in FY 2021 to \$21.3M in FY 2022. These non-operating revenues include grants-in-aid, federal contributions, in-kind contributions, and interest income. Federal contributions increased by 1,258%, from \$436K in FY 2021 to \$5.9M in FY 2022.

Operating Expenses Increased by \$12.1M

GVB's total operating expenses increased by \$12.1M (or 145%), from \$8.3M in FY 2021 to \$20.4M in FY 2022. GVB concentrated much of its budget on marketing initiatives and destination development projects. 72% of operating expenses were for professional services, which increased by 274% from \$3.9M in FY 2021 to \$14.6M in FY 2022. Its purpose was to revitalize Guam's tourism economy and prepare the island for the resumption of international travel. These marketing initiatives included raising awareness through various media platforms, digital campaigns, and engagement in tourism fairs across Japan, South Korea, and Taiwan. GVB also initiated projects involving capital improvements and consistent, effective maintenance.

Report on Internal Control Over Financial Reporting and on Compliance

Independent auditors identified two material weaknesses and one significant deficiency in internal control over financial reporting, and one significant deficiency in internal control on compliance for major federal programs.

Material weaknesses identified in the Report on Internal Control Over Financial Reporting are: 1) GVB did not implement a process, policy, or procedure to determine complete disclosures of related party transactions; and 2) GVB did not perform account reconciliations with the Government of Guam before the fiscal year-end, resulting in overstatements which were resolved nine months after the fiscal year-end. The one significant deficiency found in internal control over financial reporting is that GVB is in noncompliance with required board approvals for travel expenditures and purchase orders in excess of \$24,999.

The significant deficiency identified in the Report on Internal Control on Compliance is relative to GVB's noncompliance with applicable activities allowed or unallowed requirements under the Coronavirus State and Local Fiscal Recovery Funds. Disbursements totaling \$352,815 were made to a provider of full-service marketing, advertising, and public relations services for Guam's 78th Liberation Festivities, including the construction of GVB's parade float, broadcasting, and trophies. Such activities do not appear to satisfy the eligible use of Coronavirus State and Local Fiscal Recovery Funds.

For more details, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guamvisitorsbureau.com.