



**Guam Museum Foundation, Inc.
CY 2013 Financial Highlights**

June 03, 2014

The Guam Museum Foundation (the Foundation) closed Calendar Year (CY) 2013 with an \$11,204 decrease in unrestricted net position (net loss) compared to the increase of \$10,933 in the previous year. As a result, the Foundation has a negative net position of \$1,275. Independent auditors, Ernst & Young, expressed an unmodified (clean) opinion on the Foundation's financial statements. In addition, auditors made five audit adjustments to correct errors initially made by the Foundation.

The Foundation is a legally separate, tax exempt organization. It is a major component unit of the Department of Chamorro Affairs. Their primary purpose is to serve as the fundraising arm for the Guam Museum. The new \$27 million (M) museum is currently under construction and projected to open early 2015.

Management Letter

Of concern raised in the Management Letter are three material weaknesses relative to payroll taxes, bank reconciliations, and accounting personnel. In addition, a deficiency was noted relative to the financial statement close process wherein prior year audit adjustments were not recorded.

No Evidence of FICA tax deposits and Income Taxes Withheld

There was no evidence that FICA tax deposits for both employer and employees for CY 2013 were remitted nor was there evidence to indicate that quarterly FICA tax returns had been filed with the U.S. Internal Revenue Service. Additionally, there was no evidence that income taxes withheld for the second, third and fourth quarters of 2013 were remitted to, nor was there evidence to indicate that quarterly returns had been filed with the Treasurer of Guam. As a result, this exposes the Foundation to penalties and interest.

Due to these payroll concerns, OPA requested copies of CY 2013 W-2s. The Foundation was able to provide two W-2s from two full-time Foundation employees, but unable to provide the W-2s of six part-time Foundation employees. The Foundation is addressing this weakness by obtaining W-2 copies for the employees' files and filing all required tax reports. The Foundation is urged to take immediate action to remit unpaid taxes and file all required payroll returns and should consider outsourcing its payroll function to an outside payroll service provider.

Bank Reconciliations not Timely Prepared and Errors

During CY 2013, bank reconciliations were not timely prepared. DCA Administrative Services Officer was brought in to assist the Foundation with their accounting records and reconciliations. When the Foundation performed the bank statement reconciliations, they revealed existence of errors such as duplicate deposits and checks that, although were recorded, had been unreleased and un-mailed.

Weak Accounting Infrastructure

The Foundation does not have staff with adequate accounting skills necessary to ensure that all routine accounting transactions, particularly in payroll, have been recorded accurately. The Administrator has been solely designated to handle the Foundation's accounting and is not necessarily trained in accounting. As such, pending items such as payroll filings, W-2s, bank reconciliations, and specific financial reports were not provided on a timely basis resulting in delays of the audit. The accounting stops when the Administrator is on leave or in training. OPA has often referred to the heavy reliance on one person as the "single point of failure". With the opening of the new museum, the Foundation is expected to have an increase in activities. In addition to outsourcing the payroll function, the Foundation should consider hiring personnel with an accounting background who will be responsible for the recording and reporting of financial activities. Management should ensure personnel responsible for the financial reporting process are trained in using the Foundation's accounting software and its functions.

Foundation Revenues Decreased

Total CY 2013 Foundation revenues decreased by \$20 thousand (K) from \$219K to \$198K. The top three overall revenue sources were admissions 78%, or \$155K, grants 10%, or \$20K, and Hall of Governors' rental 3%, or \$7K. Admissions decreased by \$4K from \$159K to \$155K. Admissions consist of fees for tourists or non-residents to visit the Latte of Freedom or \$3 per adult; \$2 per local resident and military; and \$1 per child and senior citizen. The Foundation pays a fee of \$1 per adult visitor as commission to a tour company.

Foundation Expenses Increased

Total CY 2013 expenses for program and support services increased by \$2K from \$208K to \$210K. The top three expenses were: payroll and employee benefits (42%), commissions (27%) and program services (12%), which represent 81% of the Foundation's expenses. Payroll and employee benefits decreased by \$15K from \$104K to \$89K due to the loss of one full-time employee. Despite the decrease in admissions, commissions increased by \$16K from \$41K to \$56K due to certain CY 2012 commissions that were recorded and settled during CY 2013.

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.