



Guam Department of Chamorro Affairs FY 2010 Financial Highlights

June 24, 2011

The Department of Chamorro Affairs (DCA) was audited for the first time this year. The scope was for fiscal years (FY) 2010 and 2009. DCA's net assets totaled \$131,369 in FY 2009, but decreased to \$91,977 in FY 2010. Independent auditor, Eide Bailly, LLP, expressed a qualified opinion on the financial statements of its Non-Appropriated Funds (NAF) for September 30, 2010 and 2009 as a result of a scope limitation related to book inventory balances. The auditor 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 16 adjustments to correct errors initially made by DCA, which had a cumulative effect of decreasing net assets by \$155,263, and identified six findings.

Among the findings was a \$9,686 payment made to a vendor for the book, "*Inspiration of Guam*," in violation of Public Law (P.L.) 25-69 and without Board approval. DCA's former president was the book's editor and co-author. DCA was also found noncompliant with procurement policies to obtain bids for services or products purchased and to document reasons for vendor selection. Questioned activity included total food purchases of \$124,811, \$71,802 for events in FY 2010 and \$53,009 in FY 2009.

DCA Non-Appropriated Revenues

Total non-appropriated revenues increased by \$6,399, from \$707,379 in FY 2009 to \$713,778 in FY 2010. DCA's revenues come from Chamorro Village leases (73%), book sales (9%), donations (8%), other and interest income (8%) and grants (1%). Lease revenues declined by \$27,175, from \$547,324 to \$520,149. The lack of "*Hale'ta*" series sales decreased book sales by \$1,310. Grant income dropped by \$77,651, from \$87,278 to \$9,627. During 2009, a grant was received by DCA for various equipment upgrades and repairs to existing buildings and such grant was not received during 2010. However, revenues from other DCA sources increased dramatically. Donations grew by \$52,034, from \$7,263 to \$59,297, due to hefty support from local banks and businesses for DCA's annual celebration of Mes Chamorro (Chamorro Month) and the Chamorro Village's 15th anniversary in 2010. Other and interest income rose by \$60,501, from \$145 to \$60,646. It is comprised of other income from the Chamorro Village account and interest from the four DCA division accounts.

DCA Non-Appropriated Expenses

Contractual expenses, travel, advertising, meals and entertainment increased expenses by \$159,884, from \$243,451 to \$403,335 due to DCA's addition of the Friday Ocean Night Market at the Chamorro Village. Contractual expenses for security, maintenance and janitorial services rose by \$78,201, from \$191,760 to \$269,961. The addition of the Friday Night Market shot the advertising budget up by \$31,317, from \$10,540 to \$41,857 and caused utility costs to go from \$174,249 to \$196,038. The former President's trips to purchase items for the Latte of Freedom and Chamorro Village in the Philippines, to attend Liberation Day ceremonies in Washington,

D.C. and the Council for Native Hawaiians' 9th Annual Convention increased travel expenses from \$8,452 to \$29,954. Meal and entertainment costs, where food was purchased for various events not considered an appropriate use of DCA funds, went up by \$28,864, from \$32,699 to \$61,563.

In FY 2010, personnel costs fell as no personnel were funded by NAF. All personnel costs are funded through local appropriations. Supplies and Equipment also decreased by \$127,975 from \$170,052 to \$42,077. DCA has a contract with a cleaning company where supplies and equipment for janitorial services are the responsibility of the contractor. In previous years, DCA purchased these supplies.

Compliance Report and Other Matters

Six findings, four of which were material weaknesses, were identified in the Report on Compliance and Internal Control. 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 and book inventory balances could not be substantiated due to lack of supporting documentation for prior purchases. The remaining findings were instances of noncompliance or other matters related to conflicts of interest and procurement concerns.

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 and at DCA's website at www.dca.guam.gov.