



Guam Department of Chamorro Affairs FY 2012 Financial Highlights

May 21, 2013

This Non-Appropriated Funds (NAF) audit includes the Department of Chamorro Affairs (DCA) reorganization and consists of the Hagatna Restoration and Redevelopment Authority (HRRA), the Guam Council on the Arts and Humanities (CAHA), and Guam Public Library System (GPLS). For the first time, the Guam Museum Foundation (the Foundation) is also included. There were no financial activities involving NAF for HRRA and GPLS in 2012 and 2011.

Guam Museum Foundation, Inc.

The Foundation is a legally separate, tax exempt organization. Calendar Year (CY) 2012 marked the Foundation's first year of reporting, which is directed by a seven member board of directors: five members elected amongst the Foundation's members and two appointments for the DCA Board Chairman and President. The Foundation's primary purpose is to serve as the fundraising arm for the museum. The groundbreaking for the new museum was held in February 2013. While \$27 million (M) to construct the Museum comes from the Hotel Occupancy Tax (HOT) Bonds, the Government of Guam (GovGuam) will be challenged in operating the museum as no money has been set aside for the on-going operations and maintenance of the three-story facility.

Total CY 2012 Foundation revenues amounted to \$219 thousand (K). The top three overall revenue sources were: admissions 73%, or \$159K, corporate contributions 13%, or \$28K, and grants 5%, or \$10K. Admissions consist of fees for tourists to visit the Latte of Freedom or \$3 per adult; \$2 per senior citizen; and \$1 per child. The Foundation pays a fee of \$1 per adult visitor as commission to a tour company.

Total CY 2012 expenses for program and support services amounted to \$208K. The top two expenses were: payroll and employee benefits 50%, or \$104K and commissions 20%, or \$41K. The Foundation employs three full-time employees and two part-time employees primarily to man the Latte of Freedom.

Three findings were identified in the Management Letter. The Foundation lacked closing procedures to ensure that all transactions are recorded in the proper accounting period; operated without a written accounting policy and procedures manual; and has not hired personnel with accounting background or experience to assist the Administrator in the recordkeeping of the Foundation's financial transactions.

Festival of Pacific Arts

The Festival of Pacific Arts (FESTPAC) is a traveling festival hosted every four years by a different county in Oceania. It is recognized as a major international cultural event consisting of 27 island nations. Guam has had representation at FESTPAC for the last nine festivals. For a majority of the festivals, CAHA has been appointed by the Governor to serve as the lead agency for GovGuam to spearhead Guam's participation at the quadrennial event. The FESTPAC Committee consists of 11 members from various disciplines.

Public Law 31-77 authorized \$400K from the Tourist Attraction Fund (TAF) for Guam's participation at the 11th FESTPAC in the Solomon Islands. Of the \$400K, CAHA received \$340K during Fiscal Year (FY) 2012 and was the primary source of FESTPAC revenue. The top three expenses for FESTPAC were: travel (\$154K); marketing and promotions (\$65K); and performing arts costs (\$28K) leaving a balance of \$87K in restricted funds.

An additional \$1.2M was authorized to the Guam Visitors Bureau to be held in a Trust Account for the 12th FESTPAC to be held on Guam in 2016 and Guam's participation in the 2015 Smithsonian Folklife Festival of which \$750K has been deposited into the Trust Account, leaving a balance of \$500K. This appropriation shall continue to be available until expended and is not subject to transfer or use for any other purpose.

There were two compliance findings surrounding FESTPAC travel, which include no formal process or written policy for the following: 1) Selection of delegates; 2) Travel, accommodations and transportation, including the required authorizations; 3) Travel advances, per diem and the liquidation process, including required approvals and review; 4) Allowed costs and incidental expenses, including limitations and the required documentation; and 5) Custody or safekeeping of any items or assets acquired. Over the years, OPA has received hotline tips regarding the selection of FESTPAC delegates. Also, travel advances made to three FESTPAC committee members in the amount of \$18K for 2012 FESTPAC related expenses took nearly six months to clear when the required period is within ten days after return from travel.

Department of Chamorro Affairs

DCANAF closed FY 2012 with a \$4,663 increase in net assets. This is a significant increase after two years of losses. Independent auditors, Ernst & Young, expressed an unqualified opinion for September 30, 2012. In addition, auditors made 18 adjustments to correct errors initially made by DCA, which had a cumulative effect of increasing net assets by \$21,062.

Total net assets of DCANAF exceeded its liabilities in FY 2012 by \$59K. 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, 90% or \$489K; other income, 7% or \$37K; book sales, 3% or \$15K; and donations, 1% or \$4K. Total non-appropriated revenues decreased by \$40K, from \$585K in FY 2011 to \$545K in FY 2012.

Declines in contractual expenses, travel, meals and entertainment, advertising, and miscellaneous expenses reduced total expenses by \$89K, from \$364K to \$274K. Of the \$89K decline, 62% is attributed to contractual expenses. With an emphasis to reduce overall expenses, contractual expenses dropped by \$36K, from \$207K to \$171K, meals and entertainment was reduced by \$21K, from \$104K to \$83K, and no travel expenses were reported for FY 2012.

The major compliance issue for DCANAF is that prior year audit adjustments were not recorded in the books and several adjustments were required in order to record transactions in the proper period, which was identified as a material weakness. In addition, DCANAF has not adopted a formal policy to estimate allowance for uncollectible accounts. This policy should include a process wherein the aging of accounts receivable is reviewed to assess the collectability of individual accounts.

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.