



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Non-Appropriated Funds of The Chamorro Village
Division of The Department of Chamorro Affairs,
Government of Guam
Report No. 04-11, October 2004

The Chamorro Village (CV) was established to encourage, promote, and provide a centralized support facility for local entrepreneurs wishing to sell Guam's local arts and crafts, agricultural/fisheries products, and products bearing the Guam Product Seal. A popular attraction is the Wednesday Night Market, which offers weekly entertainment and a variety of food, aquaculture, and produce/nursery for sale by local vendors.

The CV is responsible for almost \$400,000 in annual revenues and is operated by a manager and six administrative staff. Personnel costs are funded by the Guam Economic Development and Commerce Authority (GEDCA) and the Governor's Office. CV revenues are derived from suite leases, the Wednesday Night Market rental stalls, and an annual GEDCA qualifying certificate (QC) of \$25,000.

Although CV staff documented certain cash receipts and disbursements, we found that the CV management did not provide sufficient oversight to properly account for, report, and monitor the non-appropriated fund activities. Specifically, the Chamorro Village did not:

- Establish adequate internal control procedures for cash management. As a result, there is an increased risk of fund misuse and improper fund administration in the absence of the administrative assistant. The CV staff did not have basic accounting knowledge and did not prepare monthly financial statements to monitor revenues and expenses for potential problems so that management could make the appropriate adjustments. For example, our analysis of the CV revenues and expenditures of fiscal years 2001, 2002, and 2003 revealed that the CV had a significant decrease of \$86,861 in revenue collections while experiencing a \$148,889 increase in expenditures ([click here for graph](#)). Further, we found that the CV did not have adequate separation of duties and did not perform monthly bank reconciliations.
- Follow its promulgated rules and regulations because the former CV manager had not researched the effective date. As a result, lease rates have not been updated, delinquent tenants have not been evicted, a marketing plan has not been implemented, and collection procedures for the Wednesday Night Market are not adhered to. The CV's failure to enforce their collection policy has led to past due receivables totaling \$41,524 as of July 2004. The failure of the CV to implement a marketing plan may have resulted in lost opportunities to expand and increase revenues.
- Comply with Guam procurement laws and regulations. These conditions occurred because CV personnel were not aware they were required to comply with Guam procurement laws.

Fifty-five percent of purchase orders sampled were procured without following Government of Guam procurement regulations. Our audit disclosed that CV paid \$31,256 to a preferred vendor, of which \$1,151 was unreasonably spent on cigarettes, food, phone cards, and other miscellaneous expenses.

- Issue Form 1099-MISC to any of their vendors. We calculated \$137,283 of income tax earnings not reported to the Department of Revenue and Taxation (DRT) for fiscal years 2001 through 2003.
- Receive \$25,000 from the Department of Chamorro Affairs (DCA), which was provided by a QC for the upkeep and maintenance of CV restrooms. We also found that the GEDCA was issuing QC checks to the CV before reviewing expenditure reports. These conditions occurred because GEDCA had not established written procedures for the administration of the maintenance fund.

Overall, our audit disclosed \$43,791 in unrealized revenues from uncollected lease agreements, lack of controls during the Wednesday Night Market, and failed special agreements. Additionally, cost exceptions derived from improper purchase orders, preferential treatment, and failed special agreements totaled \$174,882.

To correct these deficiencies we made the following recommendations to the DCA President:

- Develop and implement accounting procedures to generate monthly and annual financial reports, provide appropriate separation of duties, perform monthly bank reconciliations, and adequately train employees to perform bookkeeping duties.
- Enforce the existing collection policy.
- Implement a comprehensive marketing plan to better utilize the CV, review lease rates and common area fees, and establish a Business Selection Committee.
- Do not allow Wednesday Night Market vendors who have not paid at the scheduled time to utilize CV facilities.
- Comply with Government of Guam procurement regulations.
- Issue Form 1099-MISC to individuals who provide services of at least \$600 each calendar year.
- Transfer \$25,000 of the restroom maintenance allotment provided by the QC to the CV.

We recommend the Administrator of the GEDCA establish written procedures for the administration and use of the CV restroom maintenance funded by QC 219, issue checks directly to the CV after reviewing expenditure reports, and perform periodic inspections of the CV restrooms.

The DCA President and GEDCA Administrator generally concurred with the findings and recommendations.



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**Chamorro Village Revenues and Expenditures
FY 2001-2003**

