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Guam Visitors Bureau – Fiscal Year 2020 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability released the Guam Visitors Bureau (GVB) financial statements and report on compliance and internal controls, management letter, and letter to those charged with governance for fiscal year (FY) 2020. Independent auditors Deloitte & Touche, LLP rendered an unmodified (clean) opinion on GVB’s financial statements, but also identified four deficiencies in its internal control over financial reporting.

GVB closed FY 2020 with a decrease in net position (net loss) of \$1.0 million (M). This decreased GVB’s cumulative net position to \$10.6M in FY 2020, from their FY 2019 net position of \$11.6M.

COVID-19 Pandemic Impact

GVB made efforts to assess finances and evaluate strategies in response to the uncertainties caused by the coronavirus disease 2019 (COVID-19) pandemic. In comparison to FY 2019’s highest recorded visitor arrivals of 1.6M, total arrivals decreased by 14% in February then later plummeted by 98% in March following the international and local government quarantine restrictions. The precipitous drop in visitor arrivals adversely impacted hotel occupancy taxes and the Tourist Attraction Fund (TAF), from which GVB’s operating and capital budgets are derived. In anticipation of the pandemic’s unknown duration, GVB management cut operating costs and shifted stewardship of resources toward containment of the pandemic and recovery plans.

Prior to the COVID-19 pandemic, the Visitor Safety Officer Program was created to respond to safety and security incidents and provide basic information to Guam’s visitors. The program quickly adapted to serving the community in protecting Tumon’s parks and beaches, with over 12,000 documented reports of assisting residents with COVID-19 advisories on social distancing and use of public parks and beaches.

Marketing plans were re-evaluated and modified. This included a focus on recovery plans, minimal spending on social media to save for a bigger push in the future, and deploying creative plans to help boost the island’s economy. Prior to the COVID-19 pandemic, the development and enhancement of local sporting and recreational events supported by GVB added value in luring thousands of visitors to engage in sporting and cultural events unique to Guam (i.e., United Guam Marathon, Guam Barbeque Block Party, and Guam Micronesia Island Fair). Although priorities were set to assist in the containment of COVID-19 for most of 2020, GVB continued to work diligently to upgrade event offerings to include and ensure better hygiene safety protocols and best practices when traveling and engaging socially in Guam.

Due to continued uncertainties surrounding the extent and duration of the COVID-19 outbreak and its impact, the outlook for visitor arrivals in 2021 and beyond remains uncertain.

Revenues Decreased by \$8.3M

GVB's total revenues decreased by \$8.3M, from \$24.1M in FY 2019 to \$15.8M in FY 2020. GVB's revenues are primarily appropriations from TAF, which significantly decreased from \$22.3M in FY 2019 to \$14.8M in FY 2020.

In-kind contributions also significantly decreased to \$144 thousand (K) in FY 2020 from \$374K in FY 2019, largely due to the postponement or cancellation of GVB events.

In FY 2020, GVB recorded \$112K of federal contributions primarily from Coronavirus Aid, Relief, and Economic Security Act funding. The funds were used to facilitate remote work and set up online meeting platforms and implement various protocols for the health and safety of GVB's staff and visitors.

Expenses Decreased by \$10.7M

In FY 2020, GVB's operating expenses decreased by 41%, from \$26.4M in FY 2019 to \$15.7M in FY 2020. Professional services decreased by 39% to \$9.3M in FY 2020 due to the minimum fee adjustment of all overseas marketing representations to maintain market presence. Professional services in Japan (\$4.1M), Destination Management and Improvement (\$2.5M), and Korea (\$863K) accounted for 47% of GVB's total operating expense.

The 12% increase in personnel expenses was attributed to several filled positions previously vacated since FY 2019. The majority of GVB's variable expenses decreased due to COVID-19's impact, including a 71% decrease in travel and a 62% reduction in promotional and in-kind expenses.

Report on Internal Control and Management Letter

The auditors did not identify any material weaknesses in GVB's report on internal control over financial reporting and compliance. However, the auditors issued a management letter that identified four deficiencies. This included: (1) Consumption tax refund revenues were understated by approximately \$232K; (2) Travel expenses included certain items paid with no invoice details for hotel accommodations, cancelled airfares, and cancellation fees; (3) a \$42K Japan Savings Account, opened in prior years, had a balance that was not recorded as of September 30, 2020; and (4) \$23K in Petty Cash from prior years, held in Osaka and Tokyo Japan offices, was not accounted for and written off.

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