



EXECUTIVE SUMMARY
Governor and Lieutenant Governor's Transition Fund
Report No. 19-06, October 2019

Our audit of the Governor and Lieutenant Governor's Transition Fund found that the Transition Committee, appointed by the then Governor-elect, raised \$691 thousand (K) in funds and spent \$665K. The Transition Committee adequately accounted for the Transition Fund. In addition, we found:

- The Transition Fund paid for costs related to the preparation of the Governor-elect's inaugural ceremony and celebration and other transition costs as determined by the Transition Committee;
- The Transition Committee did not consistently follow their policy in the disbursement of the Transition Fund; and
- The Transition Committee acted beyond the 30-day limit and did not immediately transfer excess donations to the Treasurer of Guam.

Law Leaves Room for Interpretation on Proper Expenditures

Title 5 of the Guam Code Annotated Chapter 1 §1502(b) states, "...*The Transition Committee shall have such duties as the Governor-elect may deem necessary for an orderly transition between administrations, which shall include, but not limited to, the preparation of the Governor-elect's inaugural ceremony and celebration.*"

The Transition Committee spent the Transition Fund as follows:

Description	Amount	%
Inaugural ceremony and celebration	\$ 417,937	63%
Media, training, travel, and headquarter operations	126,436	19%
Renovation, equipment, and furniture for the executive offices	120,529	18%
Total	\$ 664,902	100%

By including "*but not limited to*" in the provision, all the expenditures of the Transition Fund were technically allowed by law. However, more guidance is needed in the law to determine appropriateness and necessity of transition-related expenditures.

Requirement to Follow Guam Procurement Law Unclear

The law does not specifically state that the Transition Fund is subject to Guam Procurement Law. However, it could be implied pursuant to § 1502 (b), which states that the "Transition Committee shall act as an operating agency of the government". As an operating agency of the government and following a prudent-person rule, the Transition Committee could have followed the Guam Procurement Law.

The Transition Committee stated that the funds were not technically government funds until transferred to the Treasurer of Guam pursuant to 5 GCA § 1502 (e). They stated further that it was not practical for them to follow the procurement law because the transition period was in a tight timeframe. We noted a purchase for office equipment for \$9K was paid to a company owned by one of the committee members. The Transition Committee found no issue with this purchase because they said it was the lowest price offered to them.

The Transition Committee also mentioned that although they did not follow Guam Procurement Law to make purchases, which may have caused a delay in the transition, no government funds were used and the renovation, equipment, and furniture purchased became government assets after the transition.

The Transition Committee should then ensure that any equipment and furniture purchased are properly recorded on the government's fixed assets inventory.

Transition Committee Did Not Follow Procedures and Inconsistent in its Practices

Although not required by law, we commend the Transition Committee for creating a Standard Operating Procedure (SOP) for the Transition Fund disbursements. However, we found several instances where the Transition Committee did not follow its SOP, and was inconsistent in its disbursement practices. For example, a \$34K payment for event production and consulting services was requested and approved by the same individual.

Transition Committee Exceeded 30-day Mandated Deadlines for Financial Report and Transfer of Excess Funds

Title 5 GCA §1502(d) and (e) state that a report of the donations received and expenses paid shall be submitted to the Governor and the Legislature no later than 30 days after the assumption of office by the Governor-elect. The Transition Committee neglected to include the report on donations and expenses in the February 14, 2019 report they submitted to the Governor and the Guam Legislature. The Transition Committee submitted the report on donations and expenses on April 22, 2019, 75 days after the deadline. The Transition Committee cited "human error" as the reason for the late submittal.

Title 5 GCA §1502(e) states that donations in excess of the amount needed to pay expenses of the Transition Committee shall be the property of the Government of Guam and shall be deposited with the Treasury of Guam no later than 30 days after the assumption of office of the Governor-elect. The Transition Committee initially transferred \$25K to the Treasurer of Guam on March 28, 2019, 50 days after the Governor-elect took office, and transferred the remaining funds of \$1,508 on July 29, 2019, 173 days after the deadline. The Transition Committee stated that they were waiting for outstanding checks to clear before closing the account.

Conclusion and Recommendations

As the Transition Fund law leaves room for interpretation, it gives Transition Committees discretion on their spending. We understand that following Guam Procurement Law may not be practical considering the time constraints during the transition period, and while funds raised by the Transition Committee may not be considered "government funds", it is government-related and the Transition Committee has a fiduciary duty to ensure funds are spent properly and reported timely.

For better accountability and transparency of future transition funds, we recommended that the Guam Legislature amend the law to provide better guidance regarding transition funds. An example is to specifically state whether the transition funds are subject to Guam Procurement Law. Additionally, we recommended that the Guam Legislature require the transition report include a listing of fixed assets that will be transferred to the incoming administration. Furthermore, we recommended that the Guam Legislature consider amending the law to also require the Transition Fund financial reports be submitted to the Office of Public Accountability.

As a matter of full disclosure, the Public Auditor recused himself from this audit because of an identified impairment in appearance due to familiarity. The Public Auditor did not participate in this audit. We thank the Governor and Lieutenant Governor's Transition Committee for their cooperation and transparency during this audit.

Office of Public Accountability