



OFFICE OF THE PUBLIC AUDITOR

**EXECUTIVE SUMMARY**

Credit Card Charges and Related Travel Expenditures of the  
Guam Economic Development and Commerce Authority  
Report No. 05-03, August 2005

The Office of the Public Auditor has uncovered rampant abuse of government-paid credit cards and travel expenditures at the Guam Economic Development and Commerce Authority (GEDCA) for fiscal years 2001 through the first two months of FY 2004.

The investigative audit disclosed that from October 2000 through November 2003 five out of ten<sup>1</sup> credit cardholders made **\$206,549** in questionable charges. These GEDCA employees regularly used GEDCA credit cards not only for local restaurants and entertainment purchases, but also for travel related expenses that were either in addition to advance per diem or not supported with a travel authorization. There were also miscellaneous charges for possible personal purchases.

Through the audited period, GEDCA employees made 485 charges costing \$72,433 for local meals and entertainment of alleged GEDCA clients or other government officials for alleged government purposes. Senior management: Chief Financial Officer, Business Development Director, Finance and Administration Director, and Special Projects Coordinator incurred 444, or 92%, of the on-island meal and entertainment charges.

Efforts to curb the abuses commenced in April 2003 when the new Administrator, along with the new Board of Directors, instituted specific policies to control the use and deter potential misuse of the cards.<sup>2</sup> The Administrator stated that he saw a complete lack of controls over credit card use when he assumed his position at GEDCA. From 1995 until the initiatives by the new Administrator and Governor, GEDCA had no formal policy on credit card use. In November 2003, the Administrator discontinued the use of credit cards when the Governor announced that the use of credit cards by government departments and agencies would be prohibited during his administration.

The OPA commenced its audit in response to findings by independent auditors that they “were unable to obtain information supporting certain travel expenses for the years ended September 30, 2003 and September 30, 2002.”

In November 2002, the independent auditors began a review of GEDCA’s credit card charges at the request of the then Chairman of the Board. In December 2002, at the request of the independent auditors, GEDCA employees laid out documentation covering four years of credit card and travel expenses on a table in the GEDCA conference room at the ITC Building. Two days later, Typhoon Pongsona heavily damaged the GEDCA offices and allegedly destroyed the documentation, which included expense reports and original receipts. According to the Administration and Operations Manager and the Industry Development Manager, they were not present for the initial clean up and

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<sup>1</sup> Eight of the ten credit cardholders are no longer employed by GEDCA.

<sup>2</sup> Board Resolution No. 03-014

did not know who made the decision to discard the damaged documents. The OPA was able to reconstruct records and analyze data from credit card statements provided by the interim Acting Administrator.

At a meeting on December 31, 2002, the then outgoing Board of Directors adopted a resolution ratifying “all credit card statements, travel authorizations and expense reports for the fiscal years 1999 through 2002 due to GEDCA’s inability to audit these expenses,” in the amount of \$583,487. This was the first time the Board ratified credit card charges. The Board did not act responsibly when it ratified the credit card charges for the four-year period, without conducting any type of review for assurance of the propriety of the charges.

The OPA audit found that GEDCA’s senior management made 362 charges for \$45,494 at local restaurants. A total of \$19,889 was spent with 187 charges at Marty’s Restaurant, Lonestar, Shirley’s Coffee Shop, the Guam Hilton, and the Hyatt. Coincidentally, Marty’s Restaurant and Lonestar are located directly across the street from GEDCA’s offices. Senior management also made 82 charges costing \$22,431 for entertainment at local bars, clubs and bowling alleys. The top five clubs visited were Liaison Karaoke Box, Kitano Zaka, Mac & Marti’s, Pelin’s Place, and Akasaka Rikyu where \$15,909 was spent on 45 occasions.

On the basis of the agency’s travel policy, GEDCA issued 150 travel authorizations during the audited period. Forty-seven were for business fares, 99 were economy class fares, and four TAs indicated no airfare was paid. A total of \$115,858 would have been saved if GEDCA had utilized economy class fares instead of business class fares.

The GEDCA Administrative Services Officer (“ASO”) told OPA auditors that although GEDCA’s travel policy required affected employees to submit timely expense reports, senior management officials seldom complied with the policy. She said monthly letters were sent to employees who held GEDCA credit cards reminding them “to report and submit an expense report on the usage of GEDA’s credit cards.”<sup>3</sup> She was continuously challenged because the Finance and Administration Director, the Chief Financial Officer, the Business Development Director and the Special Projects Coordinator did not submit expense reports. The ASO said that there was a “double-standard” that allowed top management to ignore the reporting requirements while it was enforced for lower level employees. Without timely expense reports, it was difficult for the Accounting Department to determine if the charges were validly incurred for official purposes. In fact, most of the senior managers’ expense reports were only being developed in preparation for the December 2002 audit. The interviews with GEDCA staff indicated that they believed that a climate of abuse existed among senior managers because of the nature and frequency of their credit card charges and their failure to file timely credit card and travel reports. There were no consequences for the failure to file a timely expense report until the credit card policy was established in April 2003.

GEDCA’s travel policy also allows non-GEDCA employees to travel at GEDCA’s expense. Between fiscal years 2001 through 2004, GEDCA paid \$71,416 in travel for 26 non-GEDCA employees from six different government departments and agencies. Eight traveled business class. The travelers from the Governor’s Office included the Governor, a Security Officer, a Staff Assistant, and a daughter of the Governor identified as a Special Assistant. Other non-GEDCA travelers were the Director of Bureau of Planning, a Police Officer II from the Guam Police

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<sup>3</sup> Excerpt from Internal Memorandum sent to credit card holders monthly.

Department, the Attorney General, the Director of the Department of Administration, and Insurance Specialists and Tax Specialists from the Department of Revenue and Taxation.

A draft report was provided to the GEDCA Administrator in June 2005. The GEDCA Administrator in turn, provided a copy of each section of the report pertaining to the eight out of the nine individuals who had questionable charges. The final report was modified on the basis of documentation of travel and credit card charges provided by the former Industry Development Manager, Industry Development Manager, Public Finance Officer, and Compliance Supervisor.

In responses, the former Chief Financial Officer stated “all the required documents were turned into GEDCA and were available as of December 6, 2002, including the charges which were personal in nature and reimbursed, pursuant to GEDCA’s travel and expense policies.” The former Finance and Administration Director stated that “**ALL REPORTS WITH ALL PROPER DOCUMENTATION WERE SUBMITTED ACCORDINGLY, ALONG WITH THE APPROPRIATE AUTHORIZATIONS. ALL INDIVIDUALS COPIED BELOW WILL ATTEST TO THIS.**” The former Business Development Director’s response was submitted by his attorney and stated, “Based upon all information I have seen, all GEDCA procurement policies and procedures were followed....”

The GEDCA Administrator who took office in 2003<sup>4</sup> generally concurred with the findings and recommendations of the OPA audit.

For more details, see **Results of Investigative Audit** section of the full report.

A summary of the questionable costs is as follows:

- The Chief Financial Officer made \$106,174 in questionable charges including:
  - **\$45,962** in airline, hotel, off-island restaurant, and car rental charges that were made without supporting TAs;
  - **\$19,678** in hotel and off-island restaurant charges that were in addition to per diem he received prior to traveling;
  - **\$19,372** in local restaurant charges, such as Marty’s Restaurant (\$1,462) and Shirley’s Coffee Shop (\$2,334), Lonestar Steakhouse (\$1,130), Guam Hilton (\$1,927), PIC-Bistro (\$1,352), Oriental Restaurant (\$744);
  - **\$13,708** for possible personal purchases at Ikea Furniture, Lenscrafters, Eye Exam 2000, Del Concha Tobacco, Stoies Stogies, Pulvers Sherlock, KB Toy Store, Ace Hardware, Benson Guam Enterprises, Pacific Tyre, Atkins Kroll, Mark’s Motors, and Ke-Ra-Da Sporting Goods;
  - **\$7,454** in local entertainment charges at establishments such as Liaison Karaoke Box (\$4,893), Akasaka Rikyu (\$516) and Night Shift Karaoke Club (\$581).
  
- The Business Development Director made \$48,567 in questionable charges including:
  - **\$15,799** in off-island hotel and restaurant charges that were in addition to the per diem he received prior to traveling;
  - **\$13,978** in local restaurant charges such as Marty’s Restaurant (\$6,180), Lonestar Steakhouse (\$729), Capricciosa (\$974), and Shirley’s Coffee Shop (\$318);

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<sup>4</sup> That person is now employed as the General Manager of the Guam Visitors Bureau.

- **\$12,701** in airline, hotel, off-island restaurant, and car rental charges that were made without supporting TAs;
  - **\$3,788** for possible personal purchases at Triple J Express Tire, Pacific Tyre, Proline, Famous Smoke Shop, Pulvers Sherlock, See's Candy, The Dungeon, Game Stop, and Ace Hardware;
  - **\$2,301** in local entertainment charges, at establishments such as Mac & Marti's (\$559), Liaison Karaoke Box (\$554), Fishbowl (\$419), The Cigar Divan (\$263), Tree Bar (\$227), and Akasaka Rikyu (\$137);
- The Special Projects Coordinator made \$31,742 in questionable charges including:
- **\$9,951** in local entertainment charges at Liaison Karaoke Box (\$3,090), Pelin's Place (\$229), Talofoto Golf Restaurant (\$354), Kitano Zaka (\$2,496), C'est La Vie (\$671), Alindog Karaoke Lounge (\$441), and Osung Karaoke (\$600);
  - **\$9,695** in local restaurant charges at Hyatt (\$1,845), Issin Restaurant (\$1,290), Guam Hilton (\$487), VIP House (\$1,210), PIC-Bistro (\$395), and Lonestar Steakhouse (\$108);
  - **\$5,069** in off-island hotel and restaurant charges that were in addition to the per diem he received prior to traveling;
  - **\$4,832** in off-island hotel and restaurant charges that were made without supporting TAs;
  - **\$2,195** for possible personal purchases such as Old Navy and charges indicated in the credit card statements with an asterisk.
- The Finance and Administration Director made \$16,030 in questionable charges including:
- **\$7,708** in off-island hotel and restaurant charges that were in addition to the per diem he received prior to traveling;
  - **\$2,725** in local entertainment charges at Talofoto Golf Resort (\$186) and Liaison Karaoke Box (\$2,487);
  - **\$2,449** in local restaurant charges at Marriott (\$326), Guam Hilton (\$1,221), and Utage Restaurant (\$107);
  - **\$1,630** for possible personal purchases at Rhino Skin Inc., American Tourister, Ave Maria Gift Shop, and charges indicated in the credit card statements with an asterisk, where we could not determine the details of the charges;
  - **\$1,518** in airline, hotel, car-rental, and off-island restaurant charges that were made without supporting TAs.



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