



EXECUTIVE SUMMARY

Government-Wide Credit/Debit Card Use Series, Part I Guam Power Authority and Guam Waterworks Authority OPA Report No. 23-10, December 2023

From Fiscal Year (FY) 2020 to FY 2022, the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA) officials used their corporate credit cards contrary to or not in compliance with certain provisions of the Guam Procurement Law and Regulations, the Government Travel Law, and their own credit card policies. Questioned costs were \$71 thousand (K) (or 17%) of the \$419K total purchases for the GPA and \$27K (or 21%) of the \$131K total purchases for the GWA¹. During our review, we did not identify any instances of fraud or abuse within the context of our audit objectives.

We conducted a compliance audit of the GPA and the GWA's credit card use as part of our audit on the Government of Guam (GovGuam)'s utilization of credit and debit cards for purchases. This audit was included in our 2023 annual audit plan due to the inherent risk of abuse from using credit and debit cards as a convenient payment method. This is the first in a series of reports.

Purchases Contrary to the Guam Procurement Law and Regulations

Section 5.0 of the GPA and GWA Credit Card Usage Policies state that all purchases of goods and services shall be performed on a competitive basis and in accordance with applicable procurement rules and regulations. The Guam Procurement Law and Regulations prescribes the method by which GovGuam procures goods and services. Based on our review, the GPA and the GWA were non-compliant with the law and regulations.

Small Purchase Requirements Not Met

For small purchases between \$500 and \$25K, at least three positive written quotations from businesses shall be solicited and documented as part of the procurement file. Such were missing or incomplete for nine GPA purchases subtotaling \$70K and eight GWA purchases subtotaling \$13K. There is no assurance that the lowest responsible and responsive vendor was selected.

BPA's Executed as if Sole Sourced or Small Purchases

A Blanket Purchase Agreement (BPA) is a "charge account" with qualified suppliers for anticipated repetitive needs and if the quantity and the type of goods or services were unidentifiable. BPA's for same type of items should be made concurrently with at least three suppliers to assure equal opportunity. A BPA does not justify purchasing from only one source.

Certain GWA purchases contained Purchase Orders (PO) that stated BPA. For three purchases subtotaling \$8K, the BPA was executed as if it was sole sourced with solicitation from a single

¹ The percentage of questioned costs and the amount of total purchases for the GPA were corrected in February 2024 after the release of this report. Total purchases for the GPA and the GWA include adjustments and bank charges.

vendor. Additionally, for two purchases subtotaling \$2K, the BPA was executed as if it was small purchase with quotations solicited from multiple vendors. Actions taken were essentially for other types of procurement methods instead of a BPA.

For one purchase, the PO stated BPA and was prepared after the vendor was paid. The purchase was for an annual subscription at \$3K. The GWA did not know at the time that the subscription was on auto-renewal. The invoice payment triggered the PO request.

Purchases Contrary to the Entity's Policy

The GPA and the GWA's Credit Card Usage Policies mirror each other and were adopted in December 2008. The policy listed authorized and unauthorized uses of the corporate credit card; and requirements for certain purchases. Based on our review, the GPA and the GWA made credit card purchases contrary to their policies.

Personal Trip Paid with Corporate Credit Card

In no event shall the corporate credit card be used for purchases of personal items. For a \$2K purchase by the GPA, an additional flight from Houston to Las Vegas was not covered in the approved Travel Authorization. The additional flight was for a personal trip that the traveler was to pay directly to the travel agency. However, the quote for a direct flight was not on file. Hence, the GPA was unable to distinguish the traveler's personal cost from the total airfare cost.

On-Island Purchases Contrary to Policy

In no event shall the corporate credit card be used for on-island purchases. Based on the credit card statements, transactions with on-island vendors were made by the GPA totaling \$25K for 66 transactions²; and by the GWA totaling \$2K for 12 transactions. While nearly all the purchases were reasonable and for the entity, a \$1K purchase was made by GWA to reserve a room at a local hotel for a consultant. The consultant did not provide their payment upon check-out and the GWA was charged by the hotel. However, the consultant excluded the hotel cost from their bill to the GWA.

No Evidence of Product Unavailability On-Island or Cost Savings

For purchases greater than \$500, purchasers are required to present evidence that the product is not on-island or a bid abstract demonstrating a landed cost savings of over 20% than those on-island. Such were missing for two purchases by the GPA subtotaling \$28K. The purchases were for: (a) laptops, laptop backpacks, and support; and (b) server backups via hard drives.

Untimely, Incomplete, or Missing Travel Clearances

Within 10 days following the return from official travel, an employee may submit an itemized statement of travel expenses incurred during official travel. Travel clearances were submitted as late as 28 days for 12 GPA purchases subtotaling \$24K. Meanwhile, clearances were submitted as late as 53 days, were incomplete, or were not submitted for six GWA purchases subtotaling \$9K.

Other Matters

During the course of our review, we found that the Senator Edward J. Cruz Medical Referral and Education Mileage Program was not fully implemented. The GPA and the GWA are required by

² The amount and count of transactions for the GPA were corrected in February 2024 after the release of this report.

the Government Travel Law to use 100% of their accrued mileage account to send eligible students to off-island sports competitions. However, the GPA opted not to have a credit card that earned miles due to the associated costs. The GWA's corporate credit card earns miles, but the miles have yet to be transferred or used. Since rules and regulations were not established for the mileage program, the GPA and the GWA were not given the means to comply with the law and rewards or points earned from corporate credit card use continue to accumulate.

Conclusion and Recommendations

The GPA and the GWA Credit Card Usage Policies provide guidelines for corporate credit card use and to follow applicable procurement rules and regulations. However, the GPA and the GWA need to adhere to the law and their own policies. We recommended corrective actions for the GPA and the GWA to help bring them into compliance, such as recordkeeping and updating their policy.



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