



**EXECUTIVE SUMMARY**  
**Government-Wide Credit/Debit Card Use Series, Part III**  
**Guam Housing and Urban Renewal Authority**  
**OPA Report No. 24-02, February 2024**

Our audit of the Guam Housing and Urban Renewal Authority's (GHURA) credit card program questioned \$34 thousand (K) in charges that were not in compliance with GHURA's Credit Card Policies and Procedures, Guam and Federal Procurement Laws and Regulations, and GHURA's Procurement Policy. The \$34K accounted for 29% of the \$117K total credit card expenditures made from October 2019 to September 2022. Our audit did not identify any indications of fraud, however, there were 11 audit findings, most of which were repeat findings from our first audit on GHURA's credit card program issued in October 2006. Specifically, we found that GHURA made:

**Purchases contrary to GHURA's credit card policies and procedures resulting in:**

- \$4K in unauthorized and prohibited charges on a 25% deposit for GHURA's 60<sup>th</sup> Anniversary Brunch venue and meals;
- \$5K in charges for contract services explicitly prohibited by its credit card policy;
- Untimely approval of purchase orders one to 512 days after the credit card was charged totaling \$24K;
- Lack of monitoring and oversight over credit card charges, causing unnecessary finance and interest charges incurred and paid totaling \$1K; and
- Incomplete and missing supporting documentation for charges totaling \$27K;

**Purchases contrary to Guam and Federal Procurement Laws and Regulations and GHURA's procurement policy resulting in:**

- Small purchase requirements being incomplete or not met for charges totaling \$26K;
- No evidence that all competitive sources were given equal opportunity for charges under blanket purchase agreements (BPAs) totaling \$16K;
- Lack of written justification to support sole source procurement totaling \$2K;
- Purchases made before certifying officer's approval of funding availability for charges totaling \$22K;
- Purchase orders not containing the mandatory contract clauses for all 26 samples tested; and
- Credit card policy's exception to use of purchase order in emergencies being contrary to Guam Procurement Law and Regulations for charges totaling \$4K.

**Purchases Contrary to GHURA's Credit Card Policies and Procedures**

GHURA's Credit Card Policies and Procedures were amended and implemented in April 2015. GHURA has not updated its credit card policies and procedures from May 2015 through November 2023, resulting in outdated guidance. GHURA may risk using appropriated funds for unauthorized and prohibited purchases without clear and appropriate guidance. Although GHURA's credit card policies and procedures set controls to ensure proper accountability and prevent misusing the credit card for unauthorized or prohibited charges, our audit found that internal controls were not

followed or not operating effectively. Our audit revealed that GHURA made credit card purchases contrary to and not in compliance with its credit card policies and procedures.

***Credit Card Used for Unauthorized and Prohibited Charge***

Under no circumstances shall the GHURA-issued credit card be used for business meals and entertainment, and the credit card issued to the Executive Director will be used for authorized off-island travel requests. The Executive Director's credit card was used for a prohibited and unauthorized charge when the credit card was used to pay a 25% deposit, or \$4K, for GHURA's 60th Anniversary Brunch for a venue and meals at a local hotel held in December 2022. After the credit card was charged in September 2022, the purchase order was approved and amended on the same day in December 2022 to increase the cost from \$15K to \$18K. The questioned cost related to this finding totaled \$4K.

***Cardholders Did Not Use Credit Cards as Specified in Policies and Procedures***

GHURA's Credit Card Policies and Procedures are intended to facilitate and standardize the use of credit cards by authorized GHURA travelers and procure items for GHURA within expected timeframes that would warrant savings to GHURA. GHURA's Credit Card Policies and Procedures contain two authorized cardholders and the specific uses authorized for each cardholder. GHURA did not maintain sufficient evidence or justification that using the credit card as a payment method resulted in cost savings. GHURA used the credit card to pay for wireless mobile services, which may be considered ordinary, necessary, and reasonable expenses for GHURA's operations, but contract services are prohibited charges under its credit card policies and procedures. Questioned costs related to this finding totaled \$5K.

***Untimely Approval and Inconsistent Use of Purchase Orders***

Purchase orders are required before using the credit card, with the exception of an emergency. Using the credit card is merely a payment method and does not relieve the cardholder from adhering to GHURA's Procurement Policy. GHURA used the credit card before the contracting officer approved the purchase order. The purchase orders were approved one to 512 days after the date the credit card was charged for 13 samples totaling \$24K. GHURA inconsistently used purchase orders and did not use the BPAs as intended by Guam Procurement Regulations. Using a BPA simplifies the repetitive needs for supplies and services and avoids using numerous purchase orders. Questioned costs related to this finding totaled \$2K.

***Lack of Monitoring and Oversight over Credit Card Charges***

GHURA's Controller must forward the billing statements to the authorized credit cardholders for review and signature prior to payment to ensure proper accountability of the use of a credit card. Credit card charges were paid after the payment due date on the billing statements. As a result, GHURA incurred and paid unnecessary finance and interest charges due to the ineffective monitoring of the reconciliation and review of billing statements. Other financial impact related to this finding totaled \$1K.

***Missing and Incomplete Supporting Documentation***

All original receipts and supporting documents for credit card transactions must accompany billing statements before payment. During our audit, we found that not all original receipts and supporting documents accompanied the billing statements prior to payment for 20 samples. The credit card

transactions had incomplete or missing supporting documentation for the credit card transactions, including vendor invoices, fiscal approval of invoices, receiving tickets, purchase requisition, vendor price quotations, and cost comparisons. The lack of documentation limits GHURA's ability to oversee the credit card program effectively. Furthermore, this increases the risk of potentially illegal, improper, or erroneous transactions occurring without detection. Questioned costs related to this finding totaled \$23K.

### **Purchases Contrary to the Guam and Federal Procurement Laws and Regulations and GHURA's Procurement Policy**

GHURA's Procurement Policy was updated and implemented in August 2020 and conforms with applicable Guam and Federal laws and regulations, which prescribe how GHURA procures goods and services and includes all phases of contract administration. Using a credit card for purchases is merely a convenient payment method and does not relieve the cardholder from adhering to GHURA's Procurement Policy. The intent of GHURA's credit card policies and procedures is not to circumvent the purchase order process but to supplement it. Our audit found that GHURA made credit card purchases contrary to and not in compliance with its Procurement Policy and Guam and Federal Procurement Laws and Regulations. GHURA was inefficient with its procurement process, including prior authorization, approval, and review of its credit card purchases.

#### ***Small Purchase Requirements Incomplete or Not Met***

For small purchases between \$500 and \$15K, 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 purchases totaling \$12K. GHURA did not provide evidence that sole source procurement by noncompetitive proposals was made for six samples. GHURA did not provide and did not timely perform the cost comparison to determine price reasonableness for 15 small purchases totaling \$26K as required by its Procurement Policy. There is no assurance that the lowest responsible and responsive vendor was selected.

#### ***No Evidence All Competitive Sources Given Equal Opportunity for BPAs***

Guam Procurement Regulations allow BPAs to procure goods and services. A BPA is a "charge account" with qualified suppliers for anticipated repetitive needs if the quantity and the type of goods or services are unidentifiable. BPAs for the same type of items should be made concurrently with at least three suppliers to ensure equal opportunity. A BPA does not justify purchasing from only one source; all competitive sources should be given an equal opportunity to furnish supplies or services. GHURA's Procurement Policy provides the criteria for noncompetitive proposals and requires written justification to support the selection of this method.

For one sample totaling \$4K, GHURA only obtained telephonic quotations from the vendor selected and obtained written quotations by email from the two other vendors. GHURA did not provide evidence that it considered the use of designated COVID-19 test sites for GovGuam employees administered by the Guam Department of Public Health and Social Services. GovGuam designated test sites for COVID-19 may have been the most cost-effective and resulted in no cost to GHURA.

For six samples totaling \$12K, GHURA did not provide evidence and written justification that equal opportunity was given to all competitive sources. BPAs were not allocated to at least three

vendors, and if supplies or services were available from only one business, GHURA did not provide written justification for the selection of the vendor.

Four samples had approved BPA amounts ranging from \$18K to \$25K, which exceeded the BPA limitation of \$15K allowed for purchasing supplies or services under Guam Procurement Regulations.

***Lack of Written Justification to Support Sole Source Procurement***

GHURA's Procurement Policy states that all purchases of goods and services shall be performed on a competitive basis and in accordance with applicable procurement rules and regulations. For noncompetitive proposals, GHURA's Procurement Policy provides the criteria and written justification is required to support the selection of this method. If the supply or service is available from only one business, the sole source procurement method set forth in Guam Procurement Regulations shall be used even if the procurement is a small purchase. GHURA used sole source procurement for one sample totaling \$2K. However, it did not provide written justification as required by Guam Procurement Law and Regulations and its Procurement Policy to support procurement selection by noncompetitive proposals.

***Purchases Made Before Certifying Officer's Approval of Funds Availability***

Before initiating any contract, GHURA shall ensure that there are sufficient funds available to cover the anticipated cost of the contract or modification. The certification of funding availability is made on the purchase order by the certifying officer and subsequently reviewed and signed by the approving official. GHURA did not ensure sufficient funds were available to cover the anticipated cost before initiating the credit card transaction. GHURA issued the purchase order after the credit card was charged for 11 samples totaling \$22K. As such, the certification of funding availability was made one to 511 days after the credit card was charged. For 12 samples that GHURA utilized BPAs, the blanket purchase orders did not state the funding source or contain the accounting and appropriation data as required by Guam Procurement Regulations.

***Purchases Orders Did Not Contain Mandatory Contract Clauses***

GHURA receives 100 percent of its funding from the U.S. Housing and Urban Development (HUD). GHURA's Procurement Policy states that contract clauses required by HUD for small purchases must be used in all corresponding solicitations, contracts, and purchase orders issued by GHURA. At a minimum, it should include provisions for debarment and suspension, domestic preferences, and prohibition on certain telecommunications and video surveillance services or equipment. The approved purchase orders for all 26 samples tested did not contain the contract clauses required by HUD and GHURA's Procurement Policy due to GHURA's position that none of our samples were considered contracts.

***Credit Card Policy's Exception to Use of Purchase Order in Emergencies Contrary to Guam Procurement Law and Regulations***

GHURA used the credit card for four samples totaling \$4K to procure temporary emergency housing accommodations for its tenants due to electrical issues and major plumbing repairs. These transactions are considered an emergency under Guam Procurement Law. However, GHURA used the credit card before the purchase orders were approved for these transactions. While GHURA's credit card policy does not require the use of purchase orders for an emergency, this exception is

contrary to Guam Procurement Law and Regulations. The emergency procurement was not authorized by an Executive Order declaring an emergency. GHURA did not provide any evidence to support that it complied with the emergency procurement law and regulations.

**Conclusion and Recommendations**

GHURA's Credit Card Policies and Procedures guide its credit card use and should not contradict governing procurement laws, regulations, and policies. In areas where we found noncompliance, we recommended corrective actions to improve and strengthen GHURA's internal controls for its credit card program and help bring them into compliance, such as reviewing, updating, and enforcing its policies and training personnel involved in the credit card and procurement processes. GHURA must prepare a corrective action plan to implement the audit recommendations, document its implementation progress, and endeavor to complete implementation no later than the beginning of the next fiscal year.



Benjamin J.F. Cruz  
Public Auditor