



EXECUTIVE SUMMARY
Guam Veterans Affairs Office
Non-Appropriated Funds
OPA Report No. 12-01, March 2012

Our review of the Veterans Affairs Office (VAO) found that the Guam Veterans Commission did not perform its fiduciary responsibility to provide oversight or adequately monitor VAO's finances and operations. Instead, the Commission relied extensively on the former and present Administrators. From FY 2009 to 2011, the two non-appropriated fund accounts recorded total deposits of \$66,091 and total expenditures of \$65,681. We found the following:

- Pre-numbered receipts were not used for cash received;
- Receipts were not reconciled to deposits;
- 17 blank checks were pre-signed, resulting in \$12,261 in disbursements under the current Administrator;
- Guam Procurement Law and Regulations were not followed, resulting in \$65,500 in disbursements without evidence of the minimum three quotes. Of this amount, \$53,239 and \$12,261 were under the former and current Administrators, respectively;
- \$46,391 in disbursements did not have supporting documentation, of which \$35,808 and \$10,583 were disbursed by the former and current Administrators, respectively;
- The payees or nature of disbursements on 15 checks totaling \$26,758 paid by the former Administrator could not be determined;
- The current Administrator's travel was not approved by the Commission;
- Petty cash reimbursements under the current Administrator were not reconciled to receipts;
- Bank reconciliations were not performed;
- Quarterly and annual financial reports were not prepared and submitted;
- Tax filing reports were not prepared and submitted; and
- The Administrators had sole custody and complete control over the handling and recording of cash received and disbursed.

We concluded that it was not possible to completely assess or quantify the extent of (1) loss due to the lack of burial claims submitted by the former Administrator, and (2) possible misuse or misappropriation due to poor record keeping. Due to the lack of VAO records, we subpoenaed the bank statements for the Guam Veterans Cemetery Trust Fund and the Veterans Affairs Fund and reviewed and prepared schedules of cash receipt and disbursement transactions. Based on available records, we did not find evidence or deliberate attempts to misuse or misappropriate VAO funds. This was VAO's first audit with findings similar to other audits conducted on Non-Appropriated Funds (NAF).

Cash Receipts Deficiencies

Of the \$66,091 in deposits, we were unable to identify the nature of \$9,391 in deposits because VAO did not maintain pre-numbered receipt books. We also found \$952 in written cash receipts

between January and July 2011 for donations or payments that could not be traced to specific deposits in the bank statements. We could not ascertain whether all cash received under the former Administrator were deposited due to the lack of records. The former and present Administrators informed us that they held cash: (1) to pay or reimburse VAO staff; (2) to purchase supplies; or (3) because they did not have the time to make bank deposits right away.

Burial Reimbursement Claims Listing Not Maintained

The U.S. Department of Veterans Affairs (USDVA) reimburses VAO up to \$300 for the burial of each eligible veteran or retiree, whose death is non-service related. We found that VAO did not maintain a listing of claims submitted to USDVA for reimbursement. Based on available records, from fiscal years 2009 to 2011, VAO submitted 314 claims for \$94,200, of which USDVA reimbursed 138 claims for \$41,400. We noted that USDVA did not process some claims because payments had already been made to VAO or there were discrepancies that needed to be resolved. VAO subsequently received approval for 126 claims totaling \$37,800 in November 2011. Altogether, VAO received \$94,500 or \$300 more than the \$94,200 they claimed in the three years. Because VAO files were incomplete, we could not ascertain whether all claims were processed, approved, and paid.

Pre-Signed Blank Checks

Title 10 of G.C.A. § 67105.1 and 67109 requires the Commission to approve all expenditures for both non-appropriated funds. Accordingly, the Commission designated the Chairman and the Treasurer as the authorized signatories on the two bank accounts. Although the Administrator is expected to manage and account for the funds, he is not an authorized account signatory.

According to the former Chairman because the Commission lacked enough members for a quorum throughout 2011, he and the Treasurer were asked by the current Administrator to sign blank checks in order to keep VAO operational. The former Chairman admitted that they signed blank checks without supporting documentation (e.g. invoices). From January to September 2011, the former Chairman and the former Treasurer signed 17 blank checks which subsequently totaled \$12,261. The former Chairman and the former Treasurer acted merely as check signers and did not perform their fiduciary responsibilities to review, monitor, and question VAO's activities.

No Travel Authorization

Of the 17 pre-signed blank checks, two checks were related to the current Administrator's travel to attend a conference in Oregon. A \$1,505 check was issued to a travel company in August 2011 to pay for the airfare, but no supporting documentation was on file. In September 2011, the current Administrator received a \$3,200 reimbursement for travel expenses and a battery purchase, in which we verified attached receipts totaling \$1,020 for the conference fee, lodging, and car rental. We received additional information in March 2012 to substantiate the battery purchase of \$132. However, the remaining \$2,048 was unsupported because was no travel authorization on file to show how the per diem was calculated.

In March 2012, we received a copy of the Administrator's administrative leave form approved by the Governor's Chief of Staff, but we still were not provided an approved and signed travel authorization form or Commission minutes indicating travel approval.

Designation of Administrator

Title 10 G.C.A. § 67100 calls for the VAO Administrator to be a classified employee to serve as administrative head yet subject to the direction and control of the Governor. In practice, the Governor appoints an unclassified Special Assistant to fill the Administrator position. As unclassified employees, the former Administrator served from February 2003 to December 2010 and the current Administrator began his appointment in January 2011. Given that the Administrator serves at the Governor's pleasure and remains subject to his direction and control, the position is better suited to be in the unclassified service. We recommend the Commission review the matter further to determine whether a change in law is needed to reflect the current practice.

Conclusion and Recommendations

The Commission's inability to provide oversight and monitoring over VAO's finances and operations led to \$66,453 in lost/potential revenues, as well as unallowable and unsupported costs. We made several recommendations to improve the management and accountability of non-appropriated funds, such as (1) immediately discontinue the practice of signing blank checks and require the Administrator to provide supporting documentation prior to all disbursements, (2) perform monthly bank reconciliations and prepare monthly financial statements to ensure that all cash collected and disbursed are accurately accounted for, and (3) maintain a list of all claims submitted to the U.S. Department of Veterans Affairs.

A draft report was transmitted to the Board Chairman of the Guam Veterans Commission and the VAO Administrator in February 2012. The Board Chairman generally concurred with the audit report findings and provided a plan of action. In March 2012, the current Administrator disagreed with our findings and provided a detailed response. While additional information was subsequently provided to document \$9,828 in expenses directly related to the pre-signed blank checks, they were not enough to clear all questioned costs. Their management responses are attached to our report as Appendices 10 and 11.

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