



OFFICE OF THE PUBLIC AUDITOR

**EXECUTIVE SUMMARY**

Guam Visitors Bureau Credit Card and Travel  
Report No. 06-14, November 2006

This report presents the results of our audit of the Guam Visitors Bureau (GVB) credit card program and travel for fiscal years 2001 through 2004 as part of our ongoing review of credit card programs government-wide.

We found that during FY 2001 through 2004, GVB operated under a control environment that provided only limited accountability over travel-related activities and credit card charges. Documentation and filing systems were unorganized and inconsistent making it difficult to audit. In addition, a number of travel programs were not adequately documented, reconciled, reviewed, and reported. We found that GVB's management failed to communicate policies for credit card use or to monitor activities for adherence to policies. As a result, policies were often misunderstood or ignored, and travelers were not held accountable.

**Travel Activities**

Based on our compilation and review of the travel authorization log, we determined that GVB issued 632 travel authorizations (TAs) for 235 persons for approximately 2,736 days of travel. Travel and associated costs are basic information that should be readily available for review and monitoring. The data could also be used to assess the effectiveness of travel programs. However, GVB's accounting department was unable to provide the total travel-related costs and 145, or 23%, of total TAs issued.

In our review of 37 travel programs/events, GVB could not provide information on 25 programs. The remaining 12 programs were not documented in accordance with the Travel Policy (i.e., approvals were not obtained; reporting requirements were not complied with; and travel expenditures were not adequately documented, reviewed, reconciled, and approved).

In our review of 272 TAs:

- GVB could not locate 65 TAs;
- 212 TAs, or 75%, did not have corresponding individual expense reports; and
- Of the 60 expense reports filed, 17 were inadequately documented and five did not have evidence of management review.

**Credit Card Usage and Charges**

We found that GVB management did not ensure that credit card charges were monitored, reviewed, and approved and resulted in charges that were unauthorized and in excess of allowable per diem.

From FY 2001 through 2004, GVB cardholders incurred \$386,636 in credit card transactions: \$35,702 local, \$335,707 off-island, \$8,118 unknown, and \$7,108 in various bank charges. In our review of 252 credit card charges totaling \$218,511, we found:

- \$138,403 in excess of allowable per diem amounts. GVB's arbitrary practice of allowing travelers to receive 50% of per diem, while expenses such as hotel, food, and incidentals,

which should have been covered by the per diem, were charged to the credit cards and is **not** in accordance with the Guam Travel Law (5 G.C.A. Chapter 23);

- \$38,882 was not reported in the expense reports, reconciled, reviewed, and approved, though for the most part, they appear to be legitimate business expenses;
- \$32,512 in unauthorized travel-related credit card charges made without approved TAs; and
- Inadequate documentation of entertainment activities charged to the credit cards.

In our review of 48 local credit card transactions totaling \$35,702, we found:

- All 48 charges had no evidence of prior management approval;
- 33 charges totaling \$25,917, had no evidence of competitive procurement;
- 42 charges totaling \$20,118, had no expense reports; and
- 12 charges totaling \$7,144 had no documentation (i.e., receipts, invoices) on file.

We also found:

- Inconsistencies in the compensation of performers and pageant winners who participated in overseas promotional events.
- The absence of a gift-exchange policy. Credit card charges totaling \$2,303 for excessive gift items made at various local retailers including a \$460 Gucci item and a \$220 Hermes item, which may be inappropriate uses of public funds.

We recommend:

1. Limit the use of credit cards to unforeseen expenditures and emergency situations during off-island marketing campaigns.
2. Modify existing travel-related policies to:
  - a. Record per diems as receivables until the traveler complies with all reporting and documentation requirements and the expense report has been reviewed and approved;
  - b. Require travelers to comply with Guam Travel Law and immediately discontinue the practice of advancing 50% of per diem allowances;
  - c. Ensure consistency as to the form of marketing reports; and
  - d. Restructure its review process, appoint specific reviewing authorities, and segregate duties to ensure an objective review process and realistic span of control.
3. Implement a centralized filing system to ensure that all documentation relevant to travel programs/activities are easily and readily accessible for review.
4. Develop an appropriate gift-giving policy for Board approval.
5. Establish and obtain Board approval of a uniform compensation system for performers.

We met with GVB officials on October 6, 2006 to discuss the draft report transmitted on October 2, 2006. On October 27, 2006, the General Manager requested an additional two weeks to provide additional documents after disagreeing with our findings.

Our findings did not change after our review of additional documents; however, the questioned cost has been adjusted by \$5,198 from \$250,530 to \$245,332. In his final response dated November 9, 2006, the General Manager generally concurred with the findings and recommendations in this report.



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