



## EXECUTIVE SUMMARY

### Government-Wide Credit/Debit Card Use Series, Part II Guam Visitors Bureau OPA Report No. 23-11, December 2023

From Fiscal Years (FY) 2020 to FY 2022, the Guam Visitors Bureau (GVB) officials used their corporate credit cards not in compliance with certain provisions of its credit card policy and procedures and the Guam Procurement Law and Regulations. Questioned costs were \$23 thousand (K) (or 29%) of the \$79K total credit card expenditures. Based on our review, we did not identify any instances of fraud or abuse.

We conducted a compliance audit of the GVB'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 second in a series of reports.

#### **Purchases Contrary to the Agency's Policy**

The Corporate Credit Card Policy and Procedures (GVB-FA-004) was implemented in January 2020 and contained conditions for the issuance, limitations, and usage of corporate credit cards. The GVB made changes by increasing the credit limits on their corporate credit cards without the Board of Directors' (Board's) approval, using one of the credit cards for personal expenses, and did not go through proper procedures before purchasing. Based on our review, the GVB was non-compliant with certain provisions of their policies and procedures.

#### ***Finding 1: Credit Card Changes Did Not Reflect Policy***

GVB-FA-004 Section 3 states that the Board of Directors approves the credit limits and issuance of all corporate credit cards. Credit limits changed for five positions listed in GVB-FA-004 and its total increased from \$83K to \$95K. The increase was automatically applied by the bank for the GVB's timely payments of credit card transactions. However, the lack of board approval for this change resulted in non-compliance with their policy.

#### ***Finding 2: Spouses' Dinners Paid with GVB Credit Card***

GVB-FA-004 Sections 7(a) and 10 state that cardholders need prior approval before using the corporate credit card to pay for entertainment expenses directly connected with official business. The corporate credit card was used to pay for the dinner of seven government officials' spouses. The spouses were part of a business meeting to discuss the Visa Waiver Program and to "amplify mutually beneficial relations between Guam and the Philippines". The expense was made before the written request was submitted and approved. Questioned costs totaled \$515.

#### ***Finding 3: Dinner Expenses Had Incomplete Documentation***

GVB-FA-004 and the *GVB Travel Policy* require detailed justification for business meetings

conducted while on official travel. Details of three dinner expenses were incomplete (e.g. missing attendees' list and approvals), reiterative of a finding in the Office of Public Accountability (OPA) Report 06-14, and were submitted after the event. One of the expenses, costing \$700, did not have a receipt because the staff lost it. The three dinner expenses totaled approximately \$4K and were part of a budget for "unanticipated" travel expenses in San Diego, California.

***Finding 4: Purchases Made Without Approvals***

GVB-FA-004 Sections 7(a), 7(h), and 10 state that prior approval and certification of funding availability are required for credit card purchases. For 11 samples reviewed, signatures for certified by the former Director of Finance and Administration/Chief Financial Officer/Controller and approved by the President and Chief Executive Officer/General Manager were missing, untimely, or not dated. For four of the samples, the GVB stated that the documentation for approval of the actual cost of the event was out of formality. Questioned costs totaled \$4K.

***Purchases Contrary to the Guam Procurement Law and Regulations***

GVB-FA-004 Section 2 states that it should be used together with the GVB's procurement policy and should not contradict the procurement process and other governing laws. The Guam Procurement Law and Regulations prescribes how GovGuam procures goods and services and includes all phases of contract administration. Based on our review, the GVB was non-compliant with the law and regulations for small purchases and was inefficient with their credit card process.

***Finding 5: Vendors Selected Without Documentation***

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. For 10 samples, price quotations (or price range) were missing or had insufficient support for the vendor selection. For two samples, vendors were selected without soliciting from other vendors providing the same type of goods. There is no assurance that the lowest responsible and responsive vendor was selected. Questioned costs totaled \$18K.

***Finding 6: Purchase Orders Inappropriately Utilized***

Purchase orders are contracts for the procurement of supplies, for supplies under blanket purchase agreements, and for services when the total cost is \$25K or below. Purchase order numbers P21055, P21209, and P22559 were for goods or services paid with the GVB corporate credit card. All three orders were missing the vendor's acceptance of the terms and conditions and therefore, the vendor could not be legally bound.

Additionally, P22559 and P21209 were addressed to the GVB's bank for the corporate credit cards. P22559 was for "PIFA [Pacific Islander Festival] Fair *Unanticipated* [emphasis added] Travel Expenses" totaling \$10K. P21209 was for "IPW Booth, Delegate Registration, Media Package" totaling \$8K. Per the GVB, the vendors for both orders were paid with credit cards, and cash payment was made to the bank. We noted that the bank did not provide the goods/services described in the order, but provided financing of the credit cards used.

***Other Matters***

During our review, we found other matters relative to the Government Travel Law as follows.

***Travel Miles Were Not Accrued***

The GVB is required by the Government Travel Law to use 100% of their accrued mileage account to send eligible students to off-island cultural activities, such as arts and humanities competitions and international cultural festivals and exchanges. However, the GVB's agreement with its bank did not provide mileage accrual. Instead, the GVB pays a lower-than-market-average annual fee for one corporate credit card and no annual fees for the rest.

As reported in OPA Report No. 23-10, *Government-Wide Credit/Debit Card Use Series, Part I Guam Power Authority and Guam Waterworks Authority*, the Senator Edward J. Cruz Medical Referral and Education Mileage Program was not fully implemented. Rules and regulations for student travel was not established by the Superintendent of Education. As such, entities were not given the means to comply with the law.

***Per Diem Allowances Were in Excess and Advanced Early***

The Government Travel Law requires GovGuam employees to receive an advance per diem allowance based on the Federal government's rate. The Federal government provides 75% of the total meals and incidentals rate on the first and last day of travel. However, eight GVB employees received 100% per diem rates or \$358 in excess per diem allowance.

Additionally, two travelers received their allowances eight and 12 working days (or two to three weeks) in advance of their travel dates. The early advancement of the allowance increased the risk for travelers to misappropriate their per diem.

**Conclusion and Recommendations**

The GVB's Corporate Credit Card Policy and Procedures contained conditions for credit cards and should not contradict governing laws. We found that the GVB was non-compliant with certain provisions of their policy and procedures and law requirements for small purchases. Thus, we recommended corrective actions for the GVB to help bring them into compliance, such as enforcing their policy.



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