



**EXECUTIVE SUMMARY**  
**75th Guam Island Fair and Liberation Day Carnival Procurement**  
**Report No. 20-07, October 2020**

Our audit found that the Guam Island Fair Committee (the Committee) did not comply with Guam procurement rules and regulations (Guam Procurement) for purchases of major goods and services for the 75th Liberation Day celebration (the Fair). Specifically, we found: (1) no procurement records for purchases totaling \$234 thousand (K), and (2) improper procurement method used for \$66K purchases. These resulted in total questioned costs of \$300K.

Non-compliance with Guam procurement has been a repeat finding in prior audits of the Fair and is due to the Mayors' Council of Guam's (MCOG) ineffective oversight. In addition, no MCOG member of the Committee was certified in Guam Procurement, as mandated by Public Law 32-131. As a result, they should not have participated in any procurement.

**No Records for \$234K Procurement of Goods and Services**

MCOG did not provide procurement records for \$234K paid to 11 different Fair vendors. For example, these disbursements did not have the rationale for the procurement method, vendor selection or rejection, and the basis of price. The Committee procured various goods and services totaling \$234K for the Fair to include purchases for electrical and plumbing (\$89K), car raffle prize (\$21K), and containers (\$20K).

**Improper Procurement Solicitation Method Used**

The procurement solicitation method for \$66K purchases of goods and services were inconsistent with Guam Procurement. Carnival security in the amount of \$34K was treated as a Small Purchase through a Request for Quotation (RFQ). However, this should have been a Competitive Sealed Bid as the costs exceeded the Small Purchase threshold. MCOG conveyed that the decision to book a specific entertainer from the United States (U.S.) mainland was made without their full support because of cash flow concerns for the estimated costs of \$59K, including \$22K spent on the lodging. This entertainer's expenses were treated as Sole Source instead of issuing out an RFQ.

**Ineffective Oversight in the Procurement Process**

Procurements of goods and services for the Fair were done by individual subcommittees. No committee member oversaw the entire procurement processes nor ensured maintenance of procurement records. MCOG provided files for our review, but several procurement records were missing. MCOG stated it followed the procurement process similar to the prior year's Fair. However, they believe that following Guam Procurement is not practical due to factors including a limited timeframe in planning and executing the Fair and lack of annual government appropriations. The Fair's funds were from sponsorships, solicitations, and donations. Though MCOG may find it impractical to follow Guam Procurement, their adherence ensures accountability and transparency of the Fair's activities.

### **Improvement in the Overall Oversight of the Fair Needed**

MCOG has been the government entity mandated by Title 1 Chapter 10 §1013 of the Guam Code Annotated to annually appoint and maintain oversight of the Committee to plan and manage the Fair. However, the organizing Committee has fluctuated over the years. In the past, the Office of the Governor led the planning and execution of the Fair. From 2013 to 2017, the Guam Historical Liberation Society organized the Fair. Due to constant changes of the organizing committees, no overall entity maintained all the Fair's records for the prior years. MCOG, as the entity responsible with oversight would have been expected to do so, could not provide the Office of Public Accountability (OPA) the financial records for the Fairs held between 2015 and 2018.

MCOG's understanding is that its oversight responsibilities may be delegable to the appointed Committee. For the 75th Liberation, MCOG appointed the Lieutenant Governor and 35th Guam Speaker as Honorary Co-chairs. The Committee make-up was MCOG, various cabinet members from the current administration, and community representatives. MCOG understood that oversight responsibility transferred to the Honorary Co-chairs and the Committee, which included Guam Procurement compliance. MCOG's participation was reduced to Subcommittee activities and taking charge of bank accounts including collecting revenues and processing payments for expenses.

Although they may continue as part of the annual Fair's planning and execution of the activities, MCOG agreed that they do not have the capability to effectively perform and conveyed their desire not to be the Fair's oversight entity.

### **Legal Provision on Committee Membership Needs Amendment**

The existing law allows MCOG to appoint an OPA representative as a Committee member. However, since OPA is mandated to audit the Fair, we took the position to not participate as a Committee member due to the inherent impairment of audit objectivity.

### **Conclusion and Recommendations**

Under MCOG's oversight, the Committee did not comply with Guam Procurement for purchases of major goods and services for the Fair. MCOG can delegate authority, but not their inherent oversight responsibilities. Additionally, MCOG admitted that they lacked the capability and resources to effectively perform their mandate due to its primary responsibilities and conveyed their desire to no longer be the Fair's oversight entity. Therefore, we recommend the Legislature amend the law to: (1) remove MCOG and replace them with an entity equipped with the resources and capability to provide effective oversight and assume full responsibilities of the Fair and (2) remove OPA as a Committee member.

As a matter of full disclosure, the Public Auditor recused himself and did not participate in this audit because of the identified impairment in appearance due to familiarity. We thank MCOG and the Committee for their cooperation and transparency during this audit.

Office of Public Accountability