



GOVERNMENT-WIDE CREDIT/DEBIT CARD USE SERIES, PART IV PORT AUTHORITY OF GUAM

COMPLIANCE AUDIT
October 1, 2019 to September 30, 2022

OPA Report No. 24-06
March 2024





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Port Authority of Guam**

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EXECUTIVE SUMMARY
Government-Wide Credit/Debit Card Use Series, Part IV
Port Authority of Guam
OPA Report No. 24-06, March 2024

Our audit of the Port Authority of Guam’s (PAG) credit card program found that, from fiscal years (FY) 2020 to 2022, PAG officials used their corporate credit cards contrary to or not in compliance with certain provisions of its credit card policy and procedures, the Guam Procurement Law and Regulations, and the Government Travel Law. Specifically, we found:

- Processed credit card charges were made contrary to the entity’s policy relative to purchases, approval, and accounting;
- Purchases were made contrary to the Guam Procurement Law and Regulations’ small purchase requirements; and
- Clearances contrary to the Government Travel Law supported with untimely and inaccurate expense reports.

As a result, we questioned \$10 thousand (K) in purchases, which comprised of 26% of the \$38K total samples tested and 6% of the \$171K total credit card expenditures. Based on our review, we did not identify any instances of fraud or abuse for the transactions tested.

We conducted a compliance audit of the PAG’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 fourth in a series of reports.

Processed Charges Made Contrary to the Entity’s Policy

The PAG’s Credit Card Policy, Board Policy Memorandum No. 2014-01, was established “to standardize the process and ensure accountability of the use of public funds expended.” The PAG made purchases contrary to policy and processed credit card charges contrary to procedures. Based on our review, the PAG was non-compliant with its Credit Card Policy for purchases, and its approval and accounting processes.

Purchases Contrary to Policy

The PAG Credit Card Policy’s Purpose states that the corporate credit card is for “online purchases that do not accept checks or Automated Clearing House (ACH) payments”. However, we found that credit card purchases were made for five samples that accepted checks or ACH payments. For two samples, payment methods accepted by the vendor were not readily available at the time of purchase. Although the purchases were reasonable and for the entity, this condition resulted in the PAG’s non-compliance.

Approval Process Contrary to Procedures

The PAG’s Credit Card Policy lists the procedures for corporate credit card use. A credit card disbursement form was to be completed and submitted for approval by the certifier of funds

and the General Manager (GM) prior to credit card use. However, we found that:

- The PAG did not use the form referenced in their policy;
- Purchases were made for nine samples from five to 69 days (or over two months) before requests for purchases were made; and
- Dates of certification of availability of funds and/or the GM's approval were missing.

These conditions resulted in the PAG's non-compliance and ineffective internal controls for samples with deficiencies.

Accounting Process Contrary to Procedures

The PAG Credit Card Policy's Procedures and Reporting Requirement require the Finance Division to account for and report credit card expenditures to the Deputy GM of Administration & Finance. We found inefficiencies, such as:

- Ten transactions were posted in the accounting system almost three years later, of which eight were due to oversight;
- Bank payments for 13 transactions were processed two months later; and
- Reconciliation has yet to be completed as of September 15, 2023.

These conditions resulted in the PAG's non-compliance and bank interest charges of \$1,832 and late fees of \$133.

Purchases Contrary to the Guam Procurement Law and Regulations

The PAG's Credit Card Policy did not reference applicable laws and regulations. The Guam Procurement Law and Regulations prescribes how GovGuam procures goods and services, including those paid with credit cards. Based on our review, the PAG was non-compliant with the requirements for small purchase procurement.

Small Purchase Requirements Not Met

For small purchases between \$500 and \$25K, the Guam Procurement Law and Regulations require at least three positive written quotations from businesses to be solicited and documented as part of the procurement file. Quotations were missing or incomplete for six samples. The PAG purchased directly from an airline for cost savings and early flight reservations. However, there was no document on file to support the cost savings. There is no assurance that the lowest responsible and responsive vendor was selected. Questioned costs totaled \$10K.

Clearances Contrary to the Government Travel Law

The PAG corporate credit card was used for expenses incurred by government officials during official travel. Provisions concerning the submission of expense reports as detailed in the Government Travel Law apply to all GovGuam employees and board and commission members, of which the PAG did not adhere to.

Expense Reports Were Untimely and Inaccurate

The Government Travel Law requires for the submission of a traveler's request for reimbursement or itinerary, with or without refund to the government, within 10 days after the traveler returns from his/her official travel. We found that:

- Expense reports were untimely for six samples, inaccurate for three samples, and untimely and inaccurate for two samples;

- Two travelers signed their expense reports as late as more than one year after their return from travel; and
- A traveler fully reimbursed the PAG by February 2024 for lodging expenses incurred in September 2022.

These conditions resulted in the PAG's non-compliance.

Other Matters

During the course of our review, we found other matters relative to the Government Travel Law. The PAG is required by the law to use 100% of its accrued mileage account to send eligible students to off-island cultural activities. Like the Guam Visitors Bureau, as reported in OPA Report No. 23-11, *Government-Wide Credit/Debit Card Use Series, Part II, Guam Visitors Bureau*, the PAG's agreement with its credit card issuer did not provide mileage rewards. Providing credit cards upon request was part of the issuer's contracted banking services.

Additionally, 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, for 10 travel authorizations and expense reports reviewed, the PAG: (a) provided 100% per diem rates on the first and last day of travel to travelers for all 10; (b) did not provide incidental rates for two; and (c) missed one day in their calculation for two.

Conclusion and Recommendations

The PAG's Credit Card Policy contained conditions and procedures for credit card use. We found that the PAG was non-compliant with certain provisions of their policy, and law requirements for small purchases and travel clearances. Thus, we recommended corrective actions for the PAG to help bring them into compliance, such as: (1) updating and enforcing board policies 2014-01 and 2019-01; and (2) considering dating signatures and not using the corporate credit card for items to be paid with the traveler's per diem.


Benjamin J.F. Cruz
Public Auditor

Introduction

We conducted a compliance audit of the Port Authority of Guam (PAG)’s corporate credit card use from Fiscal Years (FY) 2020 to FY 2022. This audit was included in our 2023 Audit Plan due to the inherent risk of abuse from using credit and debit cards as a convenient payment method. This is the fourth in a series of reports for the government-wide credit and debit card compliance audit.

Objectives, Scope, and Methodology

We began by conducting a survey of all Government of Guam (GovGuam) entities to identify which agencies used a credit and/or debit cards to purchase goods and services. We identified 11 entities with credit and debit cards held by 52 government officials, with purchase limits ranging from \$500 to \$200 thousand (K) from FY 2020 to FY 2022. The PAG was one of the 11 entities with credit cards, but did not use debit cards.

The objectives of this compliance audit were to determine the PAG’s compliance with:

1. Its credit card policy and/or procedures (see Appendix 1);
2. The Guam Procurement Law and Regulations; and
3. The Government Travel Law.

The audit scope covered the PAG’s credit card transactions and relevant procurement and travel files from FY 2020 to FY 2022 (October 1, 2019 to September 30, 2022). See Appendix 2 for the Objectives, Scope, and Methodology.

Background

In September 2014, the PAG Board of Directors adopted Resolution No. 2014-16 relative to authorizing the use of credit card services for online purchasing, and the Credit Card Policy relative to credit card use. In February 2019, the policy was revised for the certifier of funds, reporting requirement, and authority for suspending credit card transactions. In March 2019, Resolution No. 2019-02 was adopted to change the card holder from the Deputy General Manager (GM) of Operations to the GM.



Figure 1: The PAG main office located in Piti, Guam. This picture was retrieved from KUAM.

The Credit Card Policy authorized the use of the PAG’s credit card for “online purchases that do not accept checks or Automated Clearing House (ACH) payments.” The policy designated the GM to be responsible for the credit card, to include its proper usage. The Board has the authority to suspend “credit card transactions due to negligence, inappropriate use, and careless conduct.”

From FY 2020 to FY 2022, the PAG had a corporate credit card account with the Bank of Guam. The GM was issued a credit card with a credit limit of \$20K in November 2019. The credit limit

was increased to \$50K in January 2020. During this period, the PAG had 199 credit card expenditures totaling \$171K. See Appendix 3 for the PAG's FY 2020 – 2022 Credit Card Expenditures.

The PAG's credit card procedures generally involve six key personnel. For goods and services,

- Non-travel-related, a requestor submits a document that indicates the use of a credit card to the Certifying Officer and the GM for approval.
- Travel-related, a requestor submits a memorandum that indicates off-island travel to the Personnel Services Administrator. The Administrator submits a Travel Authorization (TA) to the Certifying Officer and the GM or the Board Chairperson for approval.

The Management/Program Analysis Officer, uses the credit card for purchases on behalf of the GM. A receipt for the purchases is submitted to the accountants at the Expense Accounting Section for accounting and processing payment to the bank.

Prior Audit Coverage

Based on our research, there were no prior audit findings within the last three years relative to the PAG's use of its corporate credit card. However, our current findings were reiterative of findings from OPA's audit reports on credit card use released in 2023. See Appendix 4 for the Prior Audit Coverage.

Results of Audit

From FY 2020 to FY 2022, the PAG officials used their corporate credit cards contrary to or not in compliance with certain provisions of its own credit card policy and procedures, the Guam Procurement Law and Regulations, and the Government Travel Law. Specifically:

- Process contrary to the entity’s policy relative to purchases, approval, and accounting.
- Purchases contrary to the Guam Procurement Law and Regulations with small purchase requirements not met.
- Clearances contrary to the Government Travel Law with untimely and inaccurate expense reports.

Questioned costs totaled \$10K, which comprised of 26% of the \$38K total samples tested and 6% of the \$171K total credit card expenditures. Based on our review, we did not identify any instances of fraud or abuse for the transactions tested.

Process Contrary to the Entity’s Policy

The PAG’s Credit Card Policy, Board Policy Memorandum No. 2014-01, was established “to standardize the process and ensure accountability of the use of public funds expended.” The PAG made purchases contrary to policy and processed credit card expenditures contrary to procedures. Based on our review, the PAG was non-compliant with its Credit Card Policy for purchases, and approval and accounting processes.

Purchases Contrary to Policy

The PAG Credit Card Policy’s Purpose states that the corporate credit card is for “online purchases that do not accept checks or Automated Clearing House (ACH) payments” (Board Policy Memorandum No. 2014-01, Section I).

The PAG corporate credit card was used in five samples which accepted checks or ACH payments. For two samples, payment methods accepted by the vendor were not readily available at the time of purchase. See Table 1.

Table 1: Samples with Various Payment Methods

	Sample No.	FY	Amount	Description	Payment Methods
1	15	2022	\$ 4,975	Conference for the Assoc. of Pacific Ports	Check, credit card, or EFT
2	5	2021	\$ 4,800	Conference for the American Assoc. of Port Authorities	Missing
3	14	2022	\$ 1,599	Conference for Oracle	Credit card, checks, or wire transfer
4	10	2022	\$ 1,019	Project Management Institute training	Missing
5	13	2022	\$ 583	Study guides for the Certified Government Financial Manager exam	Remittance, EFT, or credit card
		Total	\$ 12,976		

The above conditions were caused by the policy not including other circumstances that require credit card use.

As a result, the PAG is non-compliant with its own credit card policy's purpose. However, no associated questioned costs were reported, as the purchases were reasonable.

To address the deficiencies, we recommend for the Board to update its Credit Card Policy.

Approval Process Contrary to Procedures

The PAG Credit Card Policy's Procedures lists the procedures for the corporate credit card use. A Credit Card Disbursement form is completed by the Requestor. The form was to include "the specific goods or services, justification, funding account number, and the cost of the item" with all supporting documents attached. The form is then routed to the: (a) Budget Office for clearance, (b) Finance Division or Deputy GM of Administration & Finance for certification of funds, and (c) GM for final approval. Thereafter, the form is submitted to the General Accounting Supervisor-Expense for review and issuance to the designated card holder (the GM) for transaction (Board Policy Memorandum No. 2014-01, Section IV).

The PAG does not use its Credit Card Disbursement form. The form was attached to the draft Credit Card Policy presented by the former Deputy GM of Administration & Finance to the Board on August 8, 2014. The policy approved by the Board, however, did not have an attachment.

Per the PAG, in lieu of the form, the Requestor completes an Inter-Office Memorandum, a Purchase Order, or a TA. However, we found one instance in which the PAG did not use the aforementioned documents. For Sample 6, the PAG used two separate documents for the information that would have been on the disbursement form. Sample 6 had an Abstract for justification and approval of credit card use; and a Petty Cash Voucher for the expenses and account number.

Additionally, the PAG does not submit a document requesting to use the credit card for travel-related expenses. For example, TA 06-22 for Sample 9 did not indicate credit card use for early registration. However, the registration was certified for funding and approved as a travel expense on the TA.

The PAG corporate credit card was used before the availability of funds was certified and the purchase request was approved. Purchases were made for nine samples from five to 69 days (or over two months) before the requests were made. See Table 2.

Table 2: Deficiencies with Dates Requested, Certified, and Approved

	Sample No.	Amt.	Description	Req. [A]	Cert. [B]	Appr. [C]	Pur. [D]	Calendar Days Btwn. Req. and Pur. [E] = A - D
1	12	\$ 210	Issue and project tracking software	07/14/22	No date	No date	05/07/22	69
2	14	\$ 1,599	Conference for Oracle	08/29/22	08/31/22	09/01/22	08/11/22	19
3	5	\$ 4,800	Conference for the American Association of Port Authorities	08/26/21	08/27/21	08/31/21	08/13/21	14
4	15	\$ 4,975	Conference for the Association of Pacific Ports	09/06/22	09/06/22	09/08/22	09/01/22	6
5	17	\$ 3,775	Airfare for travel	09/07/22	09/09/22	09/09/22	09/02/22	6
6	9	\$ 350	Conference on roadway safety	03/02/22	03/03/22	03/03/22	02/25/22	6
7	16	\$ 247	Deposit to secure lodging for travel	09/07/22	09/09/22	09/09/22	09/02/22	6
8	8	\$ 31	Airfare for travel	03/01/22	03/02/22	03/03/22	02/24/22	6
9	18	\$ 1,784	Airfare for travel	11/09/21	No date	No date	11/05/21	5
10	7	\$ 1,100	Maritime Port Manager online training	01/12/22	No date	No date	01/13/22	0
11	10	\$ 1,019	Project Management Institute training	04/11/22	No date	04/20/22	04/14/22	-2
12	13	\$ 583	Study guides for the Certified Government Financial Manager exam	07/05/22	07/05/22	No date	07/26/22	-20
	Total	\$20,473						

For example, Sample 12 was a monthly subscription to an issue and project tracking software. The PAG corporate credit card was automatically charged on May 7, 2022. The receipt indicated that the “Billing” and “Technical” Contact was an Accountant at the Finance Division. However, a Systems Programmer at the Information Technology Division received the receipt and provided the receipt on May 23, 2022 to the Finance Division.

Almost two months later, on July 14, 2022, the Financial Affairs Controller requested for the credit card use to pay for three months worth of invoices (from April to June). The date of approvals from the Deputy GM of Administration & Finance and the GM were not indicated on the request.

The auto-renewal of an online subscription was also a condition found in the OPA Report 23-10, *Government-Wide Credit/Debit Card Use Series, Part I, Guam Power Authority and Guam Waterworks Authority*.

Another example is Sample 15 for early bird registrations to an annual conference for the Association of Pacific Ports. The charge was made on September 1, 2022 after the Controller's approval, based on an email from a Management/Program Analyst Officer (serving as the GM's assistant) to the Finance Division. However, the email did not indicate the funding source or the GM's prior approval for the charge.

The GM directed the Acting Personnel Services Administrator on September 2, 2022 to prepare TAs for the conference. The TAs included the certification of the availability of funds and approval of the registration expense. The TAs were routed to the Controller/Certifying Officer on September 6, 2022 and the GM on September 8, 2022.

For Samples 7, 10, and 13, shown in Table 2, the dates of certification of availability of funds and/or the GM's approval were missing. The timeliness and efficiency of the process could not be determined.

The above conditions were caused by the policy:

- Reflecting a separate process for credit card purchases rather than the use of credit card as a payment method; and
- Not accounting for auto-renewals and the PAG's preference for early bird registrations or flight reservations.

Additionally, the PAG officials did not date their signatures on the Inter-Office Memoranda.

As a result, the PAG was non-compliant with its own credit card policy's procedures. Internal controls for approvals were ineffective for the samples with deficiencies.

To address the deficiencies, we recommend for the Board to update its Credit Card Policy, to include close monitoring of transactions with auto-renew function to prevent unapproved charges. Additionally, we recommend for the GM to consider requiring dated signatures for documents with timelines, such as an Inter-Office Memorandum.

Accounting Process Contrary to Procedures

The PAG Credit Card Policy's Procedures state that, "Upon completion of the transaction, the credit card and official receipt shall be submitted to the General Accounting Supervisor-Expense." (Board Policy Memorandum No. 2014-01, Section IV(3)).

Additionally, the PAG Credit Card Policy's Reporting Requirements required the Finance Division to report all credit card expenditures, including ending balances, to the Deputy GM of Administration & Finance. A quarterly report is to be submitted to the Board of Directors (Board Policy Memorandum No. 2014-01, Section V).

For the 18 samples tested, we found that 10 credit card transactions were posted in the PAG’s accounting system as late as almost three years after the credit card was charged. Of the 10 transactions, eight were due to the Expense Accounting Section’s oversight. See Table 3.

Table 3: Late Accounting System Posting

	Sample No.	Amount	Description	Purchased	Posted	Calendar Days Between	Late Posting Due to:
1	4	\$ 300	Subscription to an audio and web conferencing platform	06/29/20	04/30/23	1036	Oversight
2	5	\$ 4,800	Conference for the American Association of Port Authorities	08/13/21	04/01/23	597	Oversight
3	11	\$ 2,171	Airfare for travel	05/04/22	04/01/23	333	Oversight
4	16	\$ 247	Deposit to secure lodging for travel	09/02/22	05/01/23	242	Oversight
5	17	\$ 3,775	Airfare for travel	09/02/22	04/01/23	212	Oversight
6	10	\$ 1,019	Project Management Institute training	04/14/22	07/01/22	79	Oversight
7	3	\$ 670	Airfare for travel	02/11/20	04/30/20	80	Oversight
8	12	\$ 210	Issue and project tracking software	05/07/22	07/01/22	56	Late submission of documents
9	6	\$ 349	Video conference camera with extension cable	08/14/21	09/30/21	48	Staff turnover
10	8	\$ 31	Airfare for travel	02/24/22	04/01/22	37	Oversight
	Total	\$ 13,572					

After posting in the system, it took as long as two months to process bank payments for 13 credit card transactions. See Table 4. The PAG stated that “there is no set number of days to process” the transactions, but should take up to two business days after submission of complete supporting documentation.

Table 4: Turnaround Time from Posting to Payment

	Sample No.	Amount	Description	Posted	Paid	Calendar Days Between
1	5	\$ 4,800	Conference for the American Association of Port Authorities	04/01/23	05/30/23	60
2	11	\$ 2,171	Airfare for travel	04/01/23	05/30/23	60
3	17	\$ 3,775	Airfare for travel	04/01/23	05/30/23	60
4	7	\$ 1,100	Maritime Port Manager online training	01/13/22	03/01/22	48
5	14	\$ 1,599	Conference for Oracle	08/11/22	09/27/22	48
6	8	\$ 31	Airfare for travel	04/01/22	05/17/22	47
7	18	\$ 1,784	Airfare for travel	11/13/21	12/28/21	46
8	4	\$ 300	Subscription to an audio and web conferencing platform	04/30/23	06/09/23	41
9	10	\$ 1,019	Project Management Institute training	07/01/22	08/05/22	36
10	12	\$ 210	Issue and project tracking software	07/01/22	08/05/22	36
11	6	\$ 349	Video conference camera with extension cable	09/30/21	11/04/21	36
12	16	\$ 247	Deposit to secure lodging for travel	05/01/23	05/30/23	30
13	3	\$ 670	Airfare for travel	04/30/20	05/12/20	13
	Total	\$ 18,055				

The Finance Division did not provide a separate report of all credit card expenditures to the Deputy GM of Administration & Finance and to the Board. As of September 15, 2023, the Expense Accounting Section has yet to complete their reconciliation of credit card billing statements against system postings and source documents.

The above conditions were caused by the lack of monitoring of credit card expenditures from the Board (who set the policy), GM (as the card holder), the Deputy GM of Administration and Finance (as the recipient of the Finance Division’s report per policy), and the Controller (as the head of the Finance Division).

As a result, the PAG was non-compliant with its own credit card policy’s procedures and reporting requirement. The PAG’s untimely payments of credit card purchases resulted in interest charges of \$2K and late fees of \$133 – a total of \$2K in other financial impact.

To address the deficiencies, we recommend for the Board to enforce its Credit Card Policy’s reporting requirement.

The PAG was non-compliant with its Credit Card Policy for authorized use, prior approvals, and accounting. The findings were due to the policy’s scope; management’s practice of not dating approvals; and lack of monitoring of credit card expenditures. The effectiveness of policy and procedures begins with the tone at the top.

Purchases Contrary to the Guam Procurement Law and Regulations

The PAG’s Credit Card Policy did not reference applicable laws and regulations. The Guam Procurement Law and Regulations prescribes how GovGuam procures goods and services, including those paid with credit cards. Based on our review, the PAG was non-compliant with the requirements for small purchase procurement.

Small Purchase Requirements Not Met

The Guam Procurement Law applies to every expenditure of public funds. Any procurement not exceeding \$25K for supplies or services “may be made in accordance with small purchase procedures promulgated by the Policy Office” (Title 5 of the Guam Code Annotated (GCA) §§ 5004 and 5213).

The Guam Procurement Regulations state that “[i]nsofar as it is practical [...], no less than three positive written quotations from businesses shall be *solicited, recorded, and placed* [emphasis added] in the procurement file. Awards shall be made to the lowest responsible and responsive bidder” (Title 2 of the Guam Administrative Rules and Regulations (GAR), Div. 4, § 3111(c)(1)). Further, if the supply or service “is available from only one business, the sole source procurement method [...] shall be used [...]” (2 GAR 4-§ 3111(b)(4)).

Quotations were missing or incomplete for six samples. See Table 5. The samples involved purchases made directly from an airline. Per PAG officials interviewed, the PAG often do a direct purchase due to cost savings and early flight reservation. However, there was no documentation on file to support the cost savings.

Table 5: Missing or Incomplete Price Quotations¹

	Sample No.	FY	Amount	Description	Deficiency
1	17	2022	\$ 3,775	Airfare for travel	Missing quote(s)
2	11	2022	\$ 2,171	Airfare for travel	Incomplete quotes
3	18	2022	\$ 1,784	Airfare for travel	Missing quote(s)
4	2	2020	\$ 1,412	Airfare for travel	Incomplete quotes
5	3	2020	\$ 670	Airfare for travel	Incomplete quotes
6	8	2022	\$ 31	Airfare for travel	Incomplete quotes
	Total		\$ 9,843		

We found that the PAG Travel Rules and Regulations for airfare state that “Procurement rules and regulations applies.” The Human Resource Division (HR) was required to obtain written

¹Total cost for Sample 8 was \$2,230.85.

quotations from three sources and include it in the TA packet. If the lowest price was from an online source and approved by the GM, the PAG corporate credit card may be used to purchase the airfare (Board Policy Memorandum No. 2019-01, Section VI(F)). However, we did not find any sections on handling non-compliance to the rules and regulations.

The above conditions were caused by the lack of an enforcement aspect for the PAG Travel Rules and Regulations.

As a result, the PAG is non-compliant with the Guam Procurement Law and Regulations for small purchases and its Travel Rules and Regulations for airfare. There is no assurance that awards were made to the lowest responsible and responsive bidder. Questioned costs totaled \$10K.

To address the deficiencies, we recommend for the Board to update the PAG Travel Rules and Regulations to include an enforcement aspect and enforce it.

The PAG was non-compliant with the Guam Procurement Law and Regulations for small purchases. The finding was due to the lack of an enforcement aspect for the PAG Travel Rules and Regulations. Procurement law and regulations govern the way purchases are made, even through credit cards.

Clearances Contrary to the Government Travel Law

The PAG corporate credit card was used for expenses incurred by government officials during official travel. Provisions concerning the submission of expense reports as detailed in the Government Travel Law apply to all GovGuam employees and board and commission members, of which the PAG did not adhere to.

Expense Reports Were Untimely and Inaccurate

The Government Travel Law requires for the traveler to submit a listing of actual costs incurred for lodging, meals, and travel expenses, supported by receipts and/or affidavits, for reimbursement. Otherwise, the traveler is to submit an itinerary of his/her official travel and, if applicable, reimburse the government for any excess advance allowance. The submission of the traveler's request for reimbursement or itinerary, without or without refund to the government, is due within 10 days after the traveler returns from his/her official travel (5 GCA § 23104(c) and (d)).

Expense reports were untimely for six samples, inaccurate for three samples, and untimely and inaccurate for two samples. See Table 6.

Table 6: Samples with Deficient Expense Reports

	Sample No.	FY	Amount	Description	Deficiency
1	15	2022	\$ 4,975	Conference for the Association of Pacific Ports	Untimely
2	17	2022	\$ 3,775	Airfare for travel	Inaccurate
3	11	2022	\$ 2,171	Airfare for travel	Untimely
4	18	2022	\$ 1,784	Airfare for travel	Inaccurate, Untimely
5	14	2022	\$ 1,599	Conference for Oracle	Untimely
6	2	2020	\$ 1,412	Airfare for travel	Inaccurate
7	10	2022	\$ 1,019	Project Management Institute training	Untimely
8	3	2020	\$ 670	Airfare for travel	Untimely
9	9	2022	\$ 350	Conference on roadway safety	Untimely
10	16	2022	\$ 247	Deposit to secure lodging for travel	Inaccurate
11	8	2022	\$ 31	Airfare for travel	Inaccurate, Untimely
	Total		\$18,033		

The traveler signed the expense reports as late as more than one year after his/her return from travel. See Table 7.

Table 7: Untimely Expense Reports

	Sample No.	TA No.	Travel Status End Date	Traveler Signature Date	Calendar Days Between
1	9	06-22	03/31/22	04/18/23	384
2	14	21-22	10/24/22	09/19/23	331
3	10	02-22	05/27/22	09/06/22	103
4	15	27-22	09/29/22	11/14/22	47
5	18	01-22	11/20/21	12/15/21	26
6	11	14-22	05/28/22	06/13/22	17
7	8	05-22	03/10/22	03/25/22	16
8	3	18-20	02/24/20	03/09/20	15

The expense reports were not updated to show the actual costs for each expense. The amounts listed were based on the quoted or estimated prices for airfare for Samples 17, 18, 2, and 8, and lodging for Sample 16.

Airfare is directly paid by the PAG, while lodging is part of the traveler's per diem. The per diem amount helps the PAG determine whether the traveler owes or is owed money for expenses incurred during an official trip that are not already directly paid in advance by the PAG. An accurate expense report for a hotel room reservation made in Sample 16 could have helped prevent the following:

1. The hotel required a credit card and a deposit of \$247.22 to be paid by September 2, 2022. The PAG credit card was intended to only reserve a room for a traveler, but was charged by the hotel for the room cost.
2. The Reservation Summary listed room rate with taxes and late checkout with taxes for a grand total of \$804.56. The entire amount was given to the traveler on September 16, 2022 as lodging per diem. The traveler reported the total amount, with meal and incidental expense, on a Weekly Expense Report and signed it on October 13, 2022.
3. Seven months later, in April 2023, the traveler provided his personal credit card payment detail for the hotel. The traveler was only charged \$461.29 by the hotel. Per the Finance Division, the error was discovered when the PAG credit card statement was reviewed.
4. On May 1, 2023, the traveler reimbursed the PAG for the \$247.22 deposit. However, the traveler still owed \$96.05 to the PAG (or \$804.56 lodging per diem from PAG to the traveler - \$461.29 hotel charge to traveler - \$247.22 traveler reimbursement to the PAG).
5. Based on the PAG's management response, on February 6, 2024, the traveler has paid the remaining \$96.05. The outstanding balance was due to oversight.

We found that the PAG Travel Rules and Regulations stated the Government Travel Law requirements regarding travel clearance. Additionally, the regulations required the traveler to submit his/her expense report "to the Finance Division for review and [to HR] for filing." The Finance Division was to issue invoices to the traveler at the end of each month for any unfiled or unsettled reports (Board Policy Memorandum No. 2019-01, Sections VIII(E) and IX(C)). However, we reiterate that there were no sections on handling non-compliance to the rules and regulations.

The above conditions were caused by the lack of an enforcement aspect for the PAG Travel Rules and Regulations, as well as use of the PAG corporate credit card to reserve lodging that is paid with the traveler's per diem.

As a result, the PAG is non-compliant with the Government Travel Law for travel clearance and its own Travel Rules and Regulations Section VIII(E).

To address the deficiencies, we recommend for the PAG Board to update the PAG Travel Rules and Regulations to include an enforcement aspect and enforce it. Additionally, we recommend for the GM to consider not utilizing the PAG corporate credit card for items to be paid with the traveler's per diem.

The PAG did not meet the Government Travel Law’s deadline for travel clearances. The finding was due to the lack of an enforcement aspect for the PAG Travel Rules and Regulations. Government employees may have the opportunity to travel, but it comes with terms and conditions.

Other Matters

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

Travel Miles Were Not Accrued

The Government Travel Law states that Government of Guam public corporations “shall exercise due diligence and seek to enter into an agreement with a bank(s) on Guam for credit card(s) to use as payment for [...] government and/or federally funded travel, and to accrue travel mileage through a participating airline(s)” (5 GCA § 23111(h)).

Per the PAG, its corporate credit card does not provide mileage or cash back rewards. The PAG contracted Bank of Guam for banking services, to include providing “credit cards upon request”. The PAG reached an agreement with the vendor “of a fair and reasonable rates/fees and services”; and did not separately procure for credit card services.

From FY 2020 to FY 2022, the PAG purchased \$94K of airfare from an airline. If one mileage point was earned for every \$1 purchase, the PAG could have accrued 94K miles and funded a roundtrip, economy fare ticket from Guam to Los Angeles, California. The lost opportunity to defray costs for student travel was reported as well in OPA Report No. 23-10 and OPA Report No. 23-11, *Government-Wide Credit/Debit Card Use Series, Part II, Guam Visitors Bureau*.

We reiterate our recommendation from OPA Report Nos. 23-10 and 23-11. When the rules and regulations for student travel are promulgated, we recommend for management to revisit its agreement with its credit card-issuing financial institution and ensure compliance with the mileage program requirements.

Travelers Received Excess and Shortage of Per Diem

The Government Travel Law states that “[...] the employee shall receive an advance per diem allowance equal to the number of days of authorized office travel multiplied by the current [...] rate provided by the Federal government, contained in the Joint Travel Regulations, to its employees [...]” (5 GCA § 23104(a))².

The Joint Travel Regulations (JTR) Section 020102 makes reference to rates that are calculated by three Federal government agencies. The U.S. General Services Administration (GSA) sets the rates for travel within the continental U.S. (CONUS), such as California. The U.S. Department of Defense sets the rates for outside of CONUS, such as Guam. The U.S. Department of State sets the rates for foreign areas, such as Korea. All three agencies follow the Federal Travel Regulations.

² The Government Travel Law refers to the JTR, which is specific to “Uniformed Service members and Department of Defense (DoD) civilian travelers.” For federal employee travel, the requirements are implemented by the Federal Travel Regulations (Title 41 of the Code of Federal Regulations § 300-1.1).

The Federal Travel Regulation (FTR) “implements statutory requirements and Executive branch policies for travel” by Federal employees and those who travel at the Federal government's expense. The FTR provides for a lodgings-plus per diem method for reimbursements of per diem expenses. The method applies 75% of the total meals and incidentals rate for the first and last day of travel and 100% for the days in between when travel is 24 hours or more.

Based on 10 TAs and expense reports reviewed, the PAG provided: (a) 100% per diem rates on the first and last day of travel to travelers for all 10; (b) did not provide incidental rates on two; and (c) missed one day in their calculation for two. See Table 8.

Table 8: Calculation of Per Diem

Total Per Diem for M&IE						
	Sample No.	TA No.	Received	Per Rate	Excess / (Shortage)	Deficiency
1	15	28-22	\$ 678	\$ 622	\$ 57	First and last day rates not applied
2	18	01-22	\$ 604	\$ 561	\$ 43	First and last day rates not applied
3	16, 17	29-22	\$ 400	\$ 360	\$ 40	First and last day rates not applied
4	8	05-22	\$ 474	\$ 435	\$ 40	First and last day rates not applied
5	11	14-22	\$ 395	\$ 356	\$ 40	First and last day rates not applied
6	5	09-21	\$ 458	\$ 419	\$ 38	First and last day rates not applied
7	10	02-22	\$ 761	\$ 787	\$ (26)	First and last day rates not applied, Inaccurate no. of travel days
8	14	21-22	\$ 414	\$ 449	\$ (35)	First and last day rates not applied, Inaccurate no. of travel days
9	3	18-20	\$ 818	\$ 935	\$ (118)	First and last day, and incidental rates not applied
10	2	14-20	\$ 893	\$ 1,024	\$ (132)	First and last day, and incidental rates not applied
Totals			\$ 5,895	\$ 5,948	\$ (53)	

The PAG provided a total of \$257 in excess of the meals and incidentals rate given by the Federal government to their employees. This condition was also found in the OPA Report No. 23-11. Per the PAG, the 75% rate is for federal employees as stated in the GSA per diem rates information. Like in OPA Report No. 23-11, we note the need to consider the Government Travel Law's reference to the Federal government's practice.

To address the deficiency, we reiterate our recommendation in OPA Report No. 23-11. We recommend for management to review the application of per diem rates by the aforementioned Federal agencies and follow it accordingly.

Conclusion and Recommendations

The PAG's Credit Card Policy contained conditions and procedures for credit card use. We found that the PAG was non-compliant with certain provisions of their policy, and law requirements for small purchases and travel clearances. Thus, we recommended corrective actions for the PAG to help bring them into compliance, such as updating and enforcing their policy.

The PAG was non-compliant with its Credit Card Policy for authorized use, prior approvals, and accounting. The findings were due to the policy's scope; management's practice of not dating approvals; and lack of monitoring of credit card expenditures. The effectiveness of policy and procedures begins with the tone at the top.

The PAG was non-compliant with the Guam Procurement Law and Regulations for small purchases. The finding was due to the lack of an enforcement aspect for the PAG Travel Rules and Regulations. Procurement law and regulations govern the way purchases are made, even through credit cards.

The PAG did not meet the Government Travel Law's deadline for travel clearances. The finding was due to the lack of an enforcement aspect for the PAG Travel Rules and Regulations. Government employees may have the opportunity to travel, but it comes with terms and conditions.

Questioned costs totaled \$10K due to the PAG's non-compliance to the Guam Procurement Law and Regulations and the Government Travel Law. See Classification of Monetary Impact for the questioned costs and other financial impact.

To address the deficiencies, we recommend for the:

1. Board to update its Credit Card Policy, to include a close monitoring of transactions with auto-renew function to prevent unapproved charges.
2. Board to enforce its Credit Card Policy's reporting requirement.
3. Board to update the PAG Travel Rules and Regulations to include an enforcement aspect and enforce it.
4. GM to consider requiring dated signatures for documents with timelines, such as an Inter-Office Memorandum.
5. GM to consider not utilizing the PAG corporate credit card for items to be paid with the traveler's per diem.

The status of recommendations is presented on Appendix 5.

Classification of Monetary Amounts

Findings	Questioned Costs ³	Potential Savings	Lost Revenues	Other Financial Impact ⁴
1 Purchases Contrary to Policy	\$ -	\$ -	\$ -	\$ -
2 Approval Process Contrary to Procedures	\$ -	\$ -	\$ -	\$ -
3 Accounting Process Contrary to Procedures	\$ -	\$ -	\$ -	\$ 1,965
4 Small Purchase Requirements Not Met	\$ 9,843	\$ -	\$ -	\$ -
5 Expense Reports Were Untimely and Inaccurate	\$ -	\$ -	\$ -	\$ -
Totals	\$ 9,843	\$ -	\$ -	\$ 1,965

³ Questioned Costs are the costs questioned because of:

(a) An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;

(b) A finding that, at the time of the audit, such cost is not supported by adequate documentation; or

(c) A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

⁴ Other Financial Impact means amount identified in the audit but do not fit the other categories. It includes the interest charges and late fees charged by the bank.

Management Response and OPA Reply

We provided a draft report to the PAG for their official management response on January 31, 2024. We held an Exit Conference with the PAG officials to discuss the reported findings and recommendations on February 8, 2024. The PAG management provided their response on February 6, 2024.

Based on the responses, the PAG generally agreed with our findings. We also updated our report with the submission of Sample 10 travel clearance documents and refund status for Sample 16. See Appendix 6 for the management response.

The legislation creating OPA requires agencies to prepare a corrective action plan to implement audit recommendations, document the progress in implementing the recommendations, and endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, we will be contacting the PAG for a status of the recommendations.

We appreciate the cooperation and assistance given to us by the PAG GM, Chief Financial Officer, and staff during this audit. We would like to also give special thanks to the Deputy GM of Administration & Finance and the Deputy GM of Operations & Maintenance for their participation.

OFFICE OF PUBLIC ACCOUNTABILITY



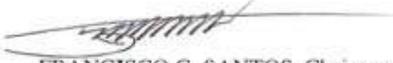
Benjamin J.F. Cruz
Public Auditor



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Lourdes A. Leon Guerrero
 Governor of Guam
 Joshua F. Tenorio
 Lieutenant Governor

BOARD OF DIRECTORS PORT AUTHORITY OF GUAM	
Board Policy Memorandum No. 2014-01	Subject: Credit Card Policy
Approved by the Board: September 24, 2014	Effective Date: September 24, 2014
Revision Date: February 12, 2019	
Approved by:  FRANCISCO G. SANTOS, Chairman, Board of Directors	
All revisions are marked with an asterisk (*)	

I. PURPOSE. The Port Authority of Guam (PAG) recognizes the need to establish and implement procedures/internal controls for the use of the Port Credit Card for online purchases that do not accept checks or Automated Clearing House (ACH) payments.

The purpose of this policy is to standardize the process and ensure accountability of the use of public funds expended.

II. CREDIT CARD LIMITATION. Funding for this purpose is subject to the spending limits as identified in the Port Authority's fiscal year budget as approved by the Board of Directors.

III. RESPONSIBLE CARDHOLDER. As the banking or commercial lending institution requires a 'named person' for purposes of establishing a credit card account, the Board of Directors shall designate the *General Manager of the Port Authority of Guam with the responsibility for proper use, care, purchasing and handling of such credit card services.

IV. PROCEDURES

1. Requestor must complete a Credit Card Disbursement form and include the specific goods or services, justification, funding account number, and the cost of the item. (All supporting documents must be attached.)
2. The Credit Card Disbursement form is routed to the following divisions for clearance and approval:
 - a. Budget office for clearance;
 - b. *Finance division for certification of funds by the Financial Affairs Controller or in the absence of the Certifying Officer the signature of the Deputy General Manager, Administration & Finance is required; and
 - c. Final approval by the General Manager.

Port of Guam, Jose D. Leon Guerrero Commercial Port is an Equal Employment Opportunity Employer. Complaints of discrimination should be sent to the Human Resources Division.

Board Policy Memorandum No. 2014-01
Subject: Credit Card Policy
Revised: February 12, 2019
Page 2 of 2

3. Once all required signatures are obtained, the form is submitted to General Accounting Supervisor-Expense for final review and issuance to the designated responsible cardholder for transaction.
 4. Upon completion of the transaction, the credit card and official receipt shall be submitted to General Accounting Supervisor-Expense.
- V. REPORTING REQUIREMENT.** *The Finance division shall provide the Deputy General Manager, Administration & Finance every month with an itemized accounting of all credit card expenditures on purchased items to include balance remaining. A quarterly credit card transaction report shall be submitted on the subsequent month during the Board of Directors meeting.
- VI. SUSPENSION OF PRIVILEGE.** The *Board of Directors possesses the discretion and authority to suspend any and all credit card transactions due to negligence, inappropriate use and careless conduct.
- VII. MISHANDLING.** In the event the designee or requestor inappropriately misuses or mishandles the use or privilege of the credit card service other than for its intended purpose, appropriate disciplinary action shall be taken in accordance with the Port's Personnel Rules and Regulations, or any laws applicable to Guam.

Appendix 2: Objectives, Scope, and Methodology

Objectives

The objectives of this engagement were to determine the PAG's compliance with:

1. Its credit card policy and/or procedures;
2. The Guam Procurement Law and Regulations; and
3. The Government Travel Law.

Scope

The audit scope was the PAG's credit card transactions and relevant procurement and travel files from FY 2020 to FY 2022 (October 1, 2019 to September 30, 2022).

Methodology

We performed the following steps in conducting this audit:

1. Surveyed all GovGuam entities to identify those that use credit and/or debit cards for purchasing goods and services.
2. Engaged with the entities that use credit and/or debit cards.
3. Reviewed the policy, regulations and laws applicable to scope.
4. Held Entrance Conferences, Walkthroughs, and Exit Conferences with key personnel.
5. Addressed inquiries to key personnel.
6. Assessed the strength of the entity's internal controls and risk of fraud in administering the credit and/or debit card purchases.
7. Compiled all of the entity's credit and/or debit card transactions within scope.
8. Selected and reviewed sample transactions for testing against criteria.
9. Organized testing results into findings and made recommendations.

We conducted this compliance (performance) audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 3: FY 2020 - 2022 Credit Card Expenditures

Description	No. of Transactions	Amount
United	66	\$ 93,863
GSA-9QMD / GSA-AQMD-Auburn	6	\$ 31,550
American Association	4	\$ 12,595
MCIVOR Communications	3	\$ 9,950
RainFOCORacle	3	\$ 4,797
ATLASSIAN	16	\$ 2,951
wave.video/agency	22	\$ 2,030
AGA	18	\$ 1,980
Interest Charge	15	\$ 1,832
zoom.us	6	\$ 1,349
Loews Hotels	6	\$ 1,316
Paypal *IAMPE	1	\$ 1,100
Project MGMT	1	\$ 1,019
Snap Event Solutions	1	\$ 645
Adobe	1	\$ 600
MimMIMEO.com	1	\$ 583
Treasure Island Hotel	3	\$ 405
Survey Monkey	1	\$ 384
Life Savers Conference	1	\$ 350
Amazon MKtp	1	\$ 349
Microsoft Store	1	\$ 260
Web Network Solutions	6	\$ 249
Omni Providence	1	\$ 247
Annual Fee	3	\$ 225
Mariott	1	\$ 191
PMI Membership	1	\$ 149
Late Fee	7	\$ 133
Project MGMT Institute	1	\$ 129
Hyatt House	2	\$ -
Grand Total	199	\$ 171,231

Appendix 4: Prior Audit Coverage

The OPA released two audit reports on the government-wide use of credit cards in December 2023. The first audit, OPA Report No. 23-10, was on the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA). The second audit, OPA Report No. 23-11, was on the Guam Visitors Bureau (GVB).

OPA Report No. 23-10

The OPA questioned costs of \$71K out of \$419K total credit card expenditures for the GPA, and \$27K out of \$131K for the GWA. The findings were:

- small purchase requirements were not met,
- Blanket Purchase Agreements executed as if sole sourced or small purchases,
- a personal trip was paid with the corporate credit card,
- on-island purchases were made contrary to policy,
- no evidence of product unavailability on-island or cost savings, and
- untimely, incomplete, or missing travel clearances.

The GPA and GWA credit card usage policies provide guidelines for corporate credit card use and follow applicable procurement rules and regulations. The OPA recommended corrective actions such as recordkeeping and updating their policy.

OPA Report No. 23-11

The OPA questioned costs of \$23K out of \$79K total credit card expenditures. The findings were:

- credit card changes did not reflect policy,
- spouses' dinners paid with the GVB credit card,
- dinners had incomplete documentation,
- purchases made without approvals,
- vendors were selected without documentation, and
- purchase orders were inappropriately utilized.

The GVB's corporate credit card policy and procedures contained conditions for credit cards and should not contradict governing laws. The OPA recommended corrective actions such as enforcing their policy.

Appendix 5: Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Actions Required
1	Board of Directors	Update Board Policy Memorandum No. 2014-01, Credit Card Policy to include a close monitoring of transactions with auto-renew function to prevent unapproved charges	OPEN	Provide a corrective action plan with responsible official and timeline of implementation
2	Board of Directors	Enforce the Credit Card Policy's reporting requirement	OPEN	Provide a corrective action plan with responsible official and timeline of implementation
3	Board of Directors	Update Board Policy Memorandum No. 2019-01, Port Authority of Guam Travel Rules and Regulations to include an enforcement aspect and enforce it	OPEN	Provide a corrective action plan with responsible official and timeline of implementation
4	GM	Consider requiring dated signatures for documents with timelines, such as an Inter-Office Memorandum	OPEN	Provide a corrective action plan with responsible official and timeline of implementation
5	GM	Consider not utilizing the PAG corporate credit card for items to be paid with the traveler's per diem	OPEN	Provide a corrective action plan with responsible official and timeline of implementation



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Lourdes A. Leon Guerrero
Governor of Guam
Joshua F. Tenorio
Lieutenant Governor

February 6, 2024

The Honorable Benjamin J. Cruz
Public Auditor
Office of Public Accountability
Suite 401 DNA Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Subject: Draft Report – Government-Wide Credit/Debit Card Use

Dear Public Auditor:

We have reviewed the audit report for the Port Authority of Guam’s credit card program covering fiscal years 2020 to 2022 and appreciate the diligent work done by your staff.

Based on your audit findings, we recognize the primary concerns include credit charges not being in line with Port’s policy on purchases, approvals, and accounting procedures; not meeting small purchase procurement requirements, and untimely and inaccurate expense reports. We also understand that your audit findings determined and concluded overall that there were no instances of fraud or abuse identified in the use of the Port Authority’s credit card.

In response to the audit findings, we would like to address the following:

- (1) You indicated in your audit findings that although the Port’s on-line purchases were reasonable and for the entity, the internal process was contrary to Port’s credit card policy on online purchases, and approval routing. And, that the accounting procedures in transactions, bank payments and reconciliation were performed untimely.
Response: As you had recommended, we recognize the need to amend our credit card policy to allow for online payment for purchases that are deemed reasonable and secured to be paid by credit card. We will also make sure that submission of an itemized monthly report on the credit card activities are made to Finance and Management as well as quarterly reports to the Port Board of Directors are carried through. We would like to note that in 2023, our internal processes have improved in using the credit card disbursement form for approval routings and submission to Finance prior to purchase.
- (2) Small purchase requirements not met. The Port purchased directly from an airline for cost savings and early flight reservations. However, there was no document of at least three positive quotations on file to support the cost savings. The quotations were missing or incomplete. There was no assurance that the lowest responsible and responsive vendor was selected in accordance with the procurement law and regulations for small purchases between \$500 and \$25K. Questioned costs totaled \$10K.

Letter to Public Auditor
Subject: Draft Report - Government-Wide Credit/Debit Card Use
February 6, 2024
Page 2

Response: We acknowledge this audit finding where the Port did not meet the small purchase requirements in providing at least three positive written quotations when soliciting between \$500 and \$25K from businesses. In 2023, we have improved in our internal processes of obtaining the required quotations for small purchase items and will continue to be vigilant in our internal controls, processes, and procedures.

- (3) Clearances contrary to the government travel law: expense reports were untimely and inaccurate; travel miles were not accrued; and travelers received excess of per diem for meals and incidentals. The Federal government provide 75% of the total meals and incidentals rate on the first and last day of travel. However, PAG provided 100% per diem rates on the first and last day of travel to travelers.

Response: As you had recommended, we recognize the need to amend our Port Travel Rules and Regulations to incorporate an enforcement aspect so that the travel and expense reports are done accurately and filed timely. On the questioned costs totaled \$96.05 for the traveler's outstanding balance, the traveler was initially advised to reimburse the Port \$247.22, which payment was rendered. The \$96.05 was an administrative oversight and was not included in the initial reimbursement. The traveler has paid the outstanding balance of \$96.05.

Also, on the audit finding for *Deficient Expense Reports* for Sample No. 10, you had indicated that it was 'missing'. We would like to make note that it is in fact not missing and ask that this audit finding be corrected.

With respect to the travel miles, we will revisit the agreement with our credit card issuing financial institution upon renewal of the contract. As to the per diem for meals and incidentals, the Port's Travel Rules and Regulations does comply with the Federal Government's daily lodging rates, meals and incidentals that is found in Section VII.A. Travel Allowance, Per Diem Allowance, which states: "...the traveler shall receive an advance per diem allowance...provided by the Federal GSA, contained in the Joint Travel Regulations." Further, subsection A.1.a. states that "...the full amount of meals & incidental expenses for the destination is authorized for the travel day on the return trip". Federal GSA provides in its footnote that "This column lists the amount federal employees receive for the first and last calendar day of travel. The first and last calendar day of travel is calculated at 75 percent." Federal GSA specifically stated that the 75% per diem rate for meals and incidentals are meant for federal employees. We ask that this not be an audit finding since we did not violate any local travel laws or Federal GSA per diem rate regulations. We also recognize your recommendation for the Port to consider prospectively on the application of the per diem rates that is applied to the Federal agencies.

We acknowledge that the audit's recommendations suggest policy updates, internal control improvements, and strict compliance with pertinent laws. To address this, we will conduct a detailed review of transactions and reinforce the importance of compliance with our purchasing policies. Our team will receive enhanced training designed to ensure that approval and accounting processes are well understood and properly executed. We are also implementing a rigorous review of our practices against small purchase requirements to ensure strict adherence going forward.

Letter to Public Auditor
Subject: Draft Report - Government-Wide Credit/Debit Card Use
February 6, 2024
Page 3

We are undertaking a comprehensive revision of our travel policy and credit card policy. This revision starts with a detailed review of the issues identified, leading to the establishment of explicit guidelines for allowable expenses, required documentation, and streamlined approval processes. Our focus is on minimizing delays and administrative bottlenecks.

We will firmly enforce deadlines for the submission of travel reports and obtaining necessary approvals. A key part of this initiative is clear communication of these policy changes to all employees, accompanied by relevant training to ensure uniform understanding and adherence. We will also institute regular reviews of compliance with the travel policy, allowing for ongoing adjustments to facilitate continuous improvement.

Furthermore, we are establishing a feedback channel for our staff, providing them an opportunity to share their experiences with the travel process, which will be invaluable in making future refinements. Our internal policies will be updated to reflect current best practices and regulations, emphasizing the necessity for regular training to maintain awareness and compliance. We will strengthen internal controls with increased monitoring and regular internal reviews, particularly focusing on areas prone to non-compliance.

It's important to note that the audit did not uncover any evidence of fraud or abuse. This underscores the integrity of our financial operations, even as we acknowledge the need for improvement in policy adherence and administrative processes.

We are fully committed to continuous improvement and will work diligently to address all recommendations from the audit.

Respectfully,


Rory J. Respicio
General Manager

**GOVERNMENT-WIDE CREDIT/DEBIT CARD USE SERIES, PART IV
PORT AUTHORITY OF GUAM
OPA Report No. 24-06, March 2024**

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

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Joy B. Esperanza, CGFM, Auditor-in-Charge
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To have an independent and impartial mind.

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To adhere to ethical and professional standards.

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