

**Liberation Day Committee  
Funds and Activities**

**Investigative Audit  
2001 and 2002**

**OPA Report No. 03-04  
May 2003**





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May 2003**

**Distribution:**

Governor of Guam  
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Office of Inspector General – Pacific Field Office  
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OFFICE OF THE PUBLIC AUDITOR

## **EXECUTIVE SUMMARY**

OPA Report No. 03-04 May 2003

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### **Liberation Day Committee Investigative Audit of the Funds and Activities 2001 and 2002**

In January 2003, the Office of the Public Auditor (OPA) initiated an investigative audit into the funds and activities of Liberation Day in response to concerns and complaints received by the OPA. The objectives of our audit were to evaluate the accountability of funds and activities by the Liberation Day Committee for 2001 and 2002.

Guam annually celebrates Liberation Day in July to commemorate the anniversaries of the liberation of Guam from the Japanese occupation and the inauguration of civil government. The 2001 Committee selected People Helping People and the Manenggon Memorial Foundation to receive net proceeds. The 2002 Committee did not make donations to any causes.

During our audit we found questionable Liberation Day activities. Full details of our findings can be found in the report.

- People Helping People, a non-profit organization, underreported a net amount of \$424,950 in donations received from the Liberation Day Committee in its 2000 and 2001 financial statements filed with the Department of Revenue and Taxation (DRT).
- We reconstructed the 2001 and 2002 income statement and found that the 2001 Liberation Day Committee underreported \$484,622 in revenues and \$172,377 in expenses in its income statement filed with DRT. Financial reports for 2002 had not been filed with DRT as of March 2003.
- Liberation Day proceeds of \$10,000 were paid to the Manenggon Memorial Foundation in 2001. We did not find any record of this alleged non-profit organization filed at DRT. The \$10,000 check was made payable to and cashed by the Foundation president and not the organization.
- The Department of Education (DOE) Support Staff Association contributed a total of \$15,686 towards their 2002 Liberation Queen candidate. A DOE General Fund check for \$5,000 was part of the \$15,686 contribution. The check stub indicated the check was for "PEC (Pacific Educational Conference) Expenses." A promissory note was signed by the President of the DOE Employees' Association and another DOE employee indicating that funds will later be paid in full without interest. We requested evidence that the DOE General Fund was reimbursed \$5,000 but we have not received it at the issuance of this report.
- Casino concession bids, the largest Liberation revenue source, for 2001 and 2002 were awarded to organizations with bids of \$412,100 and \$390,000 respectively. These bids were not supported by any documentation. A 2001 Casino bid of \$655,000 was rejected without explanation and the refund for deposit was made to the individual. For 2002, we found no evidence of the receipt of a \$65,000



concession deposit from an individual who supposedly bid for the Casino and was later refunded.

- Out of 33 bids for gambling activities and sale of alcoholic beverages, 28 bids worth \$988,433 lacked the non-profit status certification from DRT or the required sponsorship authorization from local non-profit organizations. We found no evidence that the non-profit organizations ever benefited from the authorization to conduct business under its name.
- We found that bids totaling \$930,287 were either not supported by bid forms or had insufficient documentation to explain why bids were rejected. There were \$21,925 in utility and clean-up costs that were not charged to certain vendors.
- We found 10,590 raffle booklets during the two-year period tested worth \$52,950 that were issued to sponsors and remain unaccounted for.
- We found that \$20,791 of raffle proceeds were made payable to individuals instead of the appropriate organizations supporting the candidate. The checks were either cashed or deposited into the individual's bank account.
- A Chamorro Land Trust Commission (CLTC) check was written to a former acting director for \$4,000 claimed to have been used for 2001 Liberation float. The amount has been repaid subsequent to a new director questioning the matter.
- Three individuals (including one committee member) were paid \$87,759 during 2001 and 2002 for technical fees, materials, and supplies for the Queen's Committee, of which \$32,628 was not supported by an invoice or receipt. We did not find any documentation to indicate that the Committee filed Form 1099-MISC to vendors and individuals for services rendered and/or the goods provided. This may have resulted in lost income tax revenue to the Government.

Our recommendations detailed in the report include the following:

- The Liberation Day Committee be audited annually by an independent auditor.
- An independent auditor be present to observe concession bid openings and raffle countings.
- Establish formal policies and procedures to administer the activities and transactions of the Liberation Day activities to be adopted by future Liberation Day Committees.
- Beneficiaries of Liberation Day proceeds should file financial statements and a report of the uses of the donated funds with DRT.
- Liberation Day proceeds be made payable to sponsor organizations, not individuals.
- DRT should determine if proper filings of Form 1099 and the required financial reports were made.
- The Attorney General of Guam (AG) and the Director of DRT to coordinate efforts in reviewing the underreporting of proceeds by the Liberation Day Committee, People Helping People, Manenggon Memorial Foundation, payments made to individuals, the use of government monies for raffle tickets, and gambling activities. The AG should determine if such actions are criminal in nature and warrant prosecution.

Doris Flores Brooks, CPA  
Public Auditor





OFFICE OF THE PUBLIC AUDITOR

**Liberation Day Committee  
Investigative Audit of Funds and Activities**

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## **Introduction**

In January 2003, the Office of the Public Auditor (OPA) initiated an investigative audit into the funds and activities of the Liberation Day fund in response to concerns and complaints received by the OPA.

## **Jurisdiction to Investigate**

The Public Auditor is required to annually audit “all the transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the Government of Guam.”<sup>1</sup> Furthermore, the Public Auditor has the authority to conduct surprise/unannounced audits.<sup>2</sup> The Public Auditor has the duty to “communicate directly with any person or with any department, officer or person having official relations with the office in any matter relating to the expenditures of government funds and property or to the settlement thereof and to require production of any books, records or documents.”<sup>3</sup>

## **Background Information**

Guam observed its first Liberation Day celebration in 1946. Liberation Day is a legal holiday commemorating the anniversaries of the liberation of Guam from the Japanese Occupation on July 21, 1944, and the inauguration of civil government on July 21, 1950.<sup>4</sup>

Guam law specifies that the observation of Liberation Day and Independence Day be incorporated into the Guam Island Fair (Fair), proclaimed annually by the Governor. The Governor is authorized to either appoint a Guam Island Fair Committee or designate a civic organization to sponsor, plan, and arrange for the Fair. The committee determines the worthy cause or causes that will benefit from the Fair’s net proceeds.<sup>5</sup>

Additionally, the law allows the Commissioner’s Council to appoint a Liberation Day Committee in the event the Fair is held at a location other than the Hagåtña Paseo grounds.<sup>6</sup> The committee must be composed of members of patriotic, religious, or other civic organizations. Proceeds are to be divided among the sponsoring organization, the Commissioner’s Council, and the Department of Vocational Rehabilitation.<sup>7</sup>

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<sup>1</sup> 1 GCA § 1908

<sup>2</sup> 1 GCA § 1919

<sup>3</sup> 1 GCA § 1909(c, d)

<sup>4</sup> 1 GCA § 1011

<sup>5</sup> 1 GCA § 1011, 1012, 1013

<sup>6</sup> Public Law 20-33:1 changed reference from “Commissioner” to “Mayor.”

<sup>7</sup> 1 GCA § 1013.1



Although the government may furnish a site, its agencies, employees, and resources are not allowed to contribute efforts during government time. However, employees and participating departments may be given limited time towards the preparation of departmental or agency floats and unless appropriated by the Legislature or approved by an autonomous agency's governing board, no government funds may be used in preparation of these floats.<sup>8</sup>

In 1975, there was a departure from the format codified in law. That year the Governor of Guam formally created a Liberation Day Committee to plan and coordinate Liberation Day activities.<sup>9</sup> Net proceeds were still required to be donated to worthy causes. This has become the standard since 1975.<sup>10</sup>

For the 2001 and 2002 Liberation Day festivities, the Governor appointed government officials to chair various committees that include Overall Chairman, Vice-Chairman, Finance, Raffle, Queens & Entertainment, Security, Parade, Concessions, Carnival, and Grounds. The 2001 Committee selected People Helping People and the Manenggon Memorial Foundation as the causes to receive net proceeds. The 2002 Committee did not make any donations.

Liberation Day festivities generally include a Liberation Day Queen contest, fireworks, parades, lotteries (raffle tickets), and a carnival featuring gambling activities, rides, food & beverage booths, and games of chance. Gambling activities such as bingo, kina, lottery, casino, color game, beto-beto, and pachinko are authorized through issuance of special permits by the Department of Revenue and Taxation.

Revenues are derived from concessionaire bids, sale of raffle tickets, donations, advertising fees, parade fees, and Liberation Queen coronation proceeds. Expenses arise from the preparation to coordinate the various activities.

As a matter of full disclosure, the Public Auditor acknowledges that she is the second cousin of the 2002 Liberation Day Committee Chairman.

## **Objectives**

The objectives of this audit were to evaluate the accountability of funds and activities of the Liberation Day Committee, which includes the examination of reports issued, accounting and controls over cash transactions (i.e. receipts and disbursements), and documentation of activities and transactions of the Liberation Day Committee.

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<sup>8</sup> 1 GCA §1013

<sup>9</sup> March 14, 1975 Memorandum by the Governor to all Department and Agency Heads

<sup>10</sup> On March 19, 2003, the Governor signed Executive Order 2003-06, which designates up to half of Liberation Day net proceeds for textbooks for public schools.



## **Scope and Methodology**

The scope of the audit encompasses the funds, transactions, and activities of the Liberation Day festivities for the period 2001 and 2002.

The methodology included gaining an understanding of the policies, procedures, applicable laws, and regulations pertaining to the Liberation Day festivities. Management controls over receipts and disbursements were assessed through interviews with key committee members and detail testing of fund transactions. Additionally, our audit included testing of disbursements and procurement processes to ensure that expenditures were duly authorized, recorded, and documented in compliance with the purposes set forth in laws and regulations, or in line with the activity; testing of receipts and raffle ticket activities to ensure that revenues were completely accounted, collected, and deposited; and testing of concession bids to ensure proper procedures for concession activities were followed.

As part of the audit, we obtained an understanding and performed an evaluation of the internal control structure governing the activities of the Committee.

Due to the temporary nature of the Liberation Day Committee and the fact that most of the leadership of the Committee no longer work for the Government of Guam, we determined it was not appropriate to seek a management response for this audit. Except for the lack of a management response, our audit was conducted in accordance with the *generally accepted government auditing standards*. Accordingly, we included tests of records and other auditing procedures that were considered necessary under the circumstances.

## **Prior Audit Coverage**

We were unable to identify any prior audit work concerning Liberation Day Activities.

## **Overall Conclusion**

Our audit found discrepancies between the funds contributed by the Liberation Day Committee to People Helping People and the contributions reported by the organization to the Department of Revenue and Taxation (DRT) to the tune of \$424,950 for 2000 and 2001. There were also discrepancies between the amounts reported by the 2001 Liberation Committee to DRT with receipts underreported by \$484,000 and disbursements underreported by \$172,000. DRT did not have any record of the organization of the Manenggon Memorial Foundation, which received a \$10,000 check from the Committee but was cashed by the person who claimed to be the president of the Foundation. The Committee did not follow its own procedures in the awarding of concession contracts and there were questionable raffle ticket activities by sponsoring organizations. Controls over cash transactions were inadequate. Other findings are contained in the body of the report.



## **Specific Findings and Conclusions**

### **Finding 1: Donations to Worthy Causes**

According to documents filed at the Department of Revenue and Taxation (DRT), People Helping People (PHP) is a non-profit organization formed in July 1994 solely for civic and charitable purposes. A former Governor of Guam and two immediate family members are listed as incorporators of the organization. PHP financial statements indicate that donations from Liberation festivities are PHP's major source of income. See **Appendix Q** for PHP financial statements filed with DRT.

We found that in 2001, the Liberation Committee paid \$650,000 to PHP yet PHP in their annual report to DRT only reported revenues of \$200,050 an underreporting of \$449,950. In the 2001 annual statement to DRT, the Liberation Committee reported only \$300,000 as being donated to PHP or \$350,000 less than what was actually paid out. In 2000, PHP reported receipts of \$175,000 although only \$150,000 was received from the Liberation Day Committee. For the two years PHP underreported \$424,950 in receipts from the Liberation Committee. These differences are so large on its face to raise suspicion whether there were deliberate attempts to mislead the actual amounts collected and received and reported to the government. See **Table 1** for details.

The 2002 Liberation Day Committee did not make any donations to worthy causes because of the additional expenses brought on by the catastrophic effects of Typhoon Chata'an.

We compared contributions made to PHP for the last three years with contributions reported by PHP on the financial statements submitted to DRT. The following table represents the cancelled checks we obtained from Liberation Committee bank statements that were made payable to PHP for 2000 and 2001, a result of additional procedures we performed to explain the variances in PHP's financial statements.

**Table 1: Summary of People Helping People Donations**

Date	Chk #	Amount	Subtotals for years	Reported by PHP	(Under) over reported
5/24/2000	112	\$ 50,000.00			
6/21/2000	133	\$ 25,000.00			
8/28/2000	294	\$ 75,000.00	\$150,000.00	\$175,000.00	\$ 25,000.00
1/19/2001	326	\$ 50,000.00			
1/26/2001	327	\$ 50,000.00			
2/28/2001	340	\$250,000.00			
10/2/2001	586	\$300,000.00	\$650,000.00	\$200,050.00	\$ (449,950.00)
		<b><u>\$800,000.00</u></b>		<b><u>\$375,050.00</u></b>	<b><u>\$ (424,950.00)</u></b>



We are concerned that funds received by PHP which are required by Guam law to benefit charitable institutions may not have been used for the purposes for which they were intended.

In 2001, the Liberation Committee also donated \$10,000, to the Manenggon Memorial Foundation, an alleged charitable organization. The check was made payable to and cashed by the president of the Foundation. According to DRT they have no record of the existence of the Manenggon Memorial Foundation.

We have referred this matter to the Attorney General's office for a determination of whether these discrepancies constitute fraud or theft by deception.

## **Finding 2: Inaccurate Reporting to Department of Revenue and Taxation**

According to the financial statement filed by the Liberation Day Committee for 2001, there were total receipts of \$801,191 plus carryover from the 2000 Liberation of \$52,623 for a total of \$853,814 of cash available. Total expenditures were \$734,475 which consists of operating expenses of \$380,867, payments to sponsors of \$43,232, bank charges of \$376 plus donations of \$310,000, leaving a carryover balance of \$119,339 for the 2002 Liberation Day Committee. See **Appendix P** for Committee report filed with DRT.

Based on our reconstruction of receipts and disbursements, we identified deposits of \$1,285,813 compared to those reported of \$801,191 or a difference of \$484,622 and bank disbursements of \$906,853 compared to that reported of \$734,475 a difference of \$172,377. Part of the difference in expenditures represents the \$350,000 paid to PHP that was underreported. As stated earlier these differences are so large on its face that one wonders if this was a deliberate attempt to mislead the government. See **Appendix N** for details.

## **Finding 3: Inadequate Accounting of Concession Bids**

The 2001 and 2002 concessions bid packets containing the rules and requirements pertaining to concessions were made available to potential concessionaires prior to the award of contracts for concession stands. The bid packet included information on the minimum bid amounts, types of concessions available, utility costs, clean-up costs, required documentation, and payment due dates. Prospective bidders must submit a 20% deposit with their bids and other required information by the stated due date. "Package bidding" is expressly prohibited; that is, only one bid may be submitted on each form. Late bids are not accepted.

Bids are opened 30 minutes after the deadline. Awards are made to the highest bidders for each concession type, provided that requirements are met and full payment, including utility and clean-up costs, is received by a specified date.



Those who submit bids for alcohol sales and gambling activities require the sponsorship of a local non-profit organization and a DRT certificate verifying the authenticity of the non-profit organization and its current legal status.<sup>11</sup> Generally, a permit is issued by DRT to conduct gambling activities to organizations that are actively functioning as non-profit organizations for at least two years. The promotion and management of these gambling activities must be confined to members of the organization and no member is to receive payment for his or her time and efforts. The law also stipulates that all net proceeds derived from such gambling activities are to be used exclusively for the purposes stated in the sponsoring organization's application to conduct activities limited to educational, charitable, religious, fraternal, or civic purposes.

We tested over 200 transactions in our review of 2001 and 2002 bid forms, award letters, and concessions listings of awardees. Based on these documents, bidding revenue alone, exclusive of utility and clean-up fees, was estimated at \$607,608 for 2001 and \$499,529 for 2002. See **Appendix I** for details.

### ***Sale of Alcoholic Beverages and Gambling Activities***

For the period tested, there were 30 bids for gambling activities and three bids for the sale of alcoholic beverages. Seven of these bids were either refunded or transferred. We found 28 bids worth \$988,433 that lacked the DRT certification of the non-profit status of the organization. We also found nine instances where a letter of authorization from the non-profit organization was not attached. We also found other abnormalities in these bids for the sale of alcoholic beverages and gambling activities:

- We were unable to confirm that any non-profit organization ever benefited from the authorization to conduct business under its name. We question whether the non-profit organizations met the activity requirement of the law. We were unable to find listings for any of the organizations in the phone book.
- We noted obvious alterations on three bid forms and the corresponding authorization forms from the non-profit organization. It appeared that original names and organizations were concealed with correction fluid and other names were written over it. These changes could have been made after the authorization form was signed by the non-profit organization and without the knowledge of the non-profit organization.
- Three individuals had successfully bid in 2001 and 2002 yet the signatures affixed on their bid forms for the two years did not match. Two of the instances were bids submitted for alcoholic beverage or gaming concessions.
- We found two instances where bid forms identified a different non-profit organization than that listed on the concessions listing.
- We noted Irregularities on the authorization forms where an individual was authorized to operate a "Kina Game" booth but the concessions listing and bid form authorized a different individual.
- A gambling concession was awarded, but was not listed on the Game of Chance listing. Therefore, no minimum bid or availability of slots was established.

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<sup>11</sup> 9 GCA §64.70



Concessions rules state that the minimum bid for Casino was \$100,000. In 2001, the two bidders vying for the casino concession, submitted bids of \$655,000 and \$412,100. The higher bid of \$655,000 was rejected and the deposit was refunded. The award was given to the person who bid \$412,100. and we found no explanation in the file as to why the highest bid was not accepted. We found that the rejected bidder had submitted a bid form but failed to submit the additional required documentation. There was no indication in the file that the selected bidder had submitted any type of documentation to the Committee.

The sole Casino bidder for 2002 also lacked the documentation to support his award of the Casino concession for his bid of \$390,000. However, according to our testing of Liberation Day disbursements, we noted a payment to an individual for \$65,000 for a refund of lost bid. This bid was not documented in any of the concessions documents we reviewed. We were unable to verify if the individual submitted a payment of \$65,000 to the Committee.

### ***Other Concessions Inconsistencies***

Other inconsistencies with respect to the documentation over the concession bidding were found:

- A bid form did not support 57 bids worth \$930,287.
- We did not find award letters for 62 bids. There were three instances where we found identical award letters for the same concessionaire and the same activity but different dates.
- We found 40 instances where the required 20% deposit was not submitted with the bid form on the stated due date.
- We identified 12 bids on the concession listing assessed at a total of \$4,730. However, their corresponding bid forms indicated the actual bid amounts had a total of \$9,950. We found no documentation to indicate why the amounts collected were \$5,220 less than the amounts on the bid forms.
- We found six instances in which bids were rejected and the supporting documentation was insufficient to enable us to determine the reason for the rejection.
- An instance of "package bidding" occurred although specifically prohibited in the concessions committee rules and regulations.
- There were 51 instances where the utility charge paid by the concessionaire was less than the required amount and 48 instances where the clean-up assessment was less than the amount required. These variances in charges between what was required and what was actually paid resulted in bid concession revenue losses of \$21,925.
- Our review showed four concessionaires that did not appear in the concessions award summary listing although we found award letters addressed to them. There were no references to the refund, transfer listing or actual refunds paid through our review of disbursements. There was no indication in the concessions records as to why these vendors did not appear on the summary.



- We found no record or minutes of the bid opening process to indicate who was present (i.e. an attendance record), how much money was received at the time of opening and by whom (i.e. receipt summary), and other references as to what transpired during the bid opening.

The bidding process was not properly controlled, monitored, or documented. Although the Committee has procedures governing the awarding of concession contracts, the documentation indicates the procedures were not followed. Furthermore, it appears the Committee was not diligent in its review and control of bid forms. A thorough review was not conducted to ensure that non-profit organizations are qualified to use Liberation Day as a vehicle to generate funds for their respective organizations and have designated vendors to act on their behalf.

Although a summary of successful bidders was prepared, the accuracy of the data is questionable inasmuch as there was no indication whether it was verified by another person or adequately supported by documents. The lack of bid and award documentation rendered the concession award process virtually unauditale.

#### **Finding 4: Questionable Raffle Sales and Unreturned Tickets**

Policies and procedures were updated by the 2002 Liberation Day Raffle Committee in May 2002. Article 3 states that the Raffle Committee is responsible for the control, issuance and collection of raffle tickets and sales. The candidate for whom the greatest number of raffle tickets are sold becomes the Liberation Queen.<sup>12</sup> All tickets are to be accounted for, sold and unsold, and returned to the Raffle Committee for record keeping. Sponsors supporting a queen candidate are entitled to fifty percent of all respective sales of raffle tickets assigned to them while sponsors without a queen candidate receive forty percent.<sup>13</sup>

The 2001 Liberation Day Raffle Committee activity summary was non-existent. We reconstructed an activity statement of raffle ticket sales by utilizing documents that were attached to check disbursements substantiating payments to sponsors for their share of raffle proceeds.

In contrast, the 2002 Raffle Committee prepared a *Liberation Day Raffle Ticket Breakdown* summarizing raffle ticket disbursements indicating the sponsor, candidate, ticket numbers issued, and the date of issuance. We also found the ticket activities of each candidate and sponsor. We found 18 boxes of unsold tickets still retained by the Raffle Chair.

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<sup>12</sup> 2002 Liberation Festivities – Raffle Committee Rules, Article III Section 2

<sup>13</sup> 2002 Liberation Festivities – Raffle Committee Rules, Article IV Section 2



### ***DOE General Fund Money Used for Liberation Queen Raffle***

The Department of Education Staff Support Association (DOESSA) sponsored a candidate for 2002 Liberation Queen. A total of \$15,686 was contributed towards their candidate, enabling the candidate to win the title of 2002 Liberation Queen.

Testimony from a DOE staff indicated that \$5,000 of the total contribution of \$15,686 originated from a DOE General Fund check written to a DOE employee with a single signatory. We confirmed that check number 0242626 was issued on July 20, 2002 (a Saturday, and the day before Liberation Day). The check stub indicated the check was made for "PEC Expenses."

The supporting documentation for the check was a request for direct payment and a promissory note. The direct payment request was signed by the DOE certifying officer and controller while the promissory note was signed by the President of the DOE Employees' Association and a DOE certifying officer. The promissory note indicated that the \$5,000 was taken from Pacific Education Conference (PEC) funds to be used as "part of Department of Education Employees' Association sanctioned activities." (We learned that funds from a Pacific Education Conference had been commingled with the DOE General Fund.) The promissory note stated "the funds will be paid in full no later than September 30, 2002 with no interest." Testimonial evidence indicated that the funds were to be repaid from the anticipated 50% sponsor's share of raffle proceeds.

We confirmed that \$7,593 was disbursed to the DOESSA following the selection of the 2002 Liberation Queen. DOE staff asserted that \$5,000 was retrieved from the DOESSA and returned to the DOE General Fund. We requested evidentiary documentation to support the repayment of the funds but it has not been received by OPA.

We are concerned about several aspects of this transaction:

- DOE should not have commingled funds from their educational conference with the DOE General Fund.
- DOE should not have loaned money to an employee or employees' association.
- We do not believe it was appropriate for DOE to utilize PEC funds in their custody to promote a Liberation Queen.
- A last minute infusion of cash raises the question of whether or not the Liberation Queen raffle was fair or if DOE used undue influence to secure the outcome they desired.
- DOE should require dual signatures on all checks and not a single signatory.
- The check stub indicated that the funds were used to pay PEC expenses, but the funds were actually used to purchase raffle tickets.

This transaction appears to have been intended to mask or hide the true purpose of the transaction. We have referred this matter to the Attorney General for determination of appropriate legal action.



### ***Unreturned Raffle Tickets***

In 2001, 100,000 booklets were authorized to be printed. However, documents indicated that only 63,164 booklets were printed for sale at \$5 per booklet for a total value of \$315,820. Documentation also indicated that 23,253 booklets were sold and 37,004 were returned. Our analysis showed that 2,907 booklets valued at \$14,535 were unaccounted for. This raised the possibility that raffle tickets may have been sold but the proceeds not turned into the Committee.

In our review of the minutes of the July 10, 2001 executive committee meeting, we noted that 70,000 ticket booklets were said to have been printed and issued and not the 63,164. If this were correct, the number of unaccounted booklets would have increased to 9,743 for a total value of \$48,715 and not \$14,535.

For 2002, 100,000 booklets were again authorized to be printed but only 50,000 booklets were printed. Documents indicated that 29,600 booklets, valued at \$148,000 were issued and 10,906 booklets were sold. Our analysis showed that 6,826 booklets, valued at \$34,130, were not returned by four sponsors.

The 2002 Overall Chair stated that these sponsors and candidates claimed the tickets were lost during the wrath of Typhoon Chata'an. Inquiries with a former raffle committee member indicated that efforts were made to obligate these parties to return the unsold tickets, however, these efforts proved unsuccessful. The 2002 Committee did not pay these parties for their share of raffle ticket sales.

We were unable to determine the total amount of raffle tickets collected because of the enormity of unidentified receipts we found during our receipts testing. However, 2001 raffle proceeds were documented to be \$117,689 (see **Appendix J**) and identified raffle receipts were \$109,853 (see **Appendix K**), resulting in \$7,836 that could not be traced to receipts.

For 2002, raffle proceeds were documented to be \$59,877 (see **Appendix J**) and identified raffle receipts were \$59,008 (see **Appendix K**), resulting in \$869 that cannot be traced to receipts. It appears that raffle ticket controls are lacking in regards to enforcing sponsors to uphold their agreement to return unsold tickets.

See summary of ticket sales by sponsors in **Appendix J**.

### ***Non-filing of Ticket Registration Form***

Non-profit organizations are exempt from the gross receipts tax provided the organization files an Application for Exemption.<sup>14</sup> For the Liberation Committee, after the initial exemptions are filed and approved, Form FCN 2-2-136 *Ticket Registration Form* is to be submitted with every specific event that takes place that involves the sale of tickets. First and last tickets must accompany the ticket registration form along with a statement from the printing company certifying the number of tickets printed.

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<sup>14</sup> See 11 GCA § 26117 & 26203



From our review of the organizational files at DRT, we did not find documentation of filing of Form FCN 2-2-136 for 2001 and 2002 Liberation Day Committees. Moreover, we found that previous Liberation Committees were not consistently in filing the required forms. See **Appendix M** for details.

## **Finding 5: Insufficient Control Over Disbursements**

Liberation Day Committee bank statements indicated disbursements of \$1,282,0321 in 2001 and \$557,823 in 2002 for a total of \$1,839,854. See **Appendix A** for bank disbursement details.

We tested over 400 disbursements totaling \$1,630,082 and found several discrepancies regarding payments to sponsor organizations for raffle proceeds, payments for goods and services to preferential vendors, lack of supporting documentation, and no inventory listing for small tools purchased. Additionally, we found other control deficiencies such as expenditures in excess of budgeted amounts, no pre-numbered checks, and stale dated checks. Details follow.

### ***Payments of Raffle Proceeds and Winnings***

Liberation Queen candidates are required to have at least one sponsor who is issued raffle tickets to sell in support of their candidate.<sup>15</sup> The candidate that receives the highest number of paid votes is crowned Liberation Day Queen.

In 2001, six checks totaling \$20,791 which represented the sponsoring organization's share of raffle ticket proceeds were made payable to and endorsed by individuals instead of the appropriate organization supporting a candidate. A review of the cancelled checks indicated that two checks were cashed by individuals and four checks were deposited into the individuals' accounts. See **Appendix E** for details. One of the checks was written to the former Acting Director of the Chamorro Land Trust Commission (CLTC) in the amount of \$3,563. We contacted the current Acting Director of the CLTC and were advised that the funds were not returned to the Commission.

The current Acting Director (Director) also advised us that a check was written from the CLTC bank account to cash in the amount of \$4,000 which had been given to a former Acting Director for Liberation float expenses in 2001. Director believed the CLTC did not have a float that year and discussed the matter with the former Acting Director. Director indicated that shortly after questioning the former Acting Director, the \$4,000 was returned to the CLTC. We recommend the Attorney General look into this matter to determine if any of the above transactions constitute an illegal act.

It is not known whether these monies were turned over to the organizations. However, three of these checks were made payable to employees' associations who indicated in

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<sup>15</sup> 2002 Liberation Festivities – Queen's Committee Rules, Article VII Section 1



their replies to our survey that no proceeds were received from Liberation activities. See **Appendix D** for survey results.

For 2001, we found three checks for parade and raffle winnings amounting to \$900, made payable to organizations but endorsed and cashed by individuals. Two of the payees were government agencies that indicated in our survey that no proceeds were received from Liberation activities. See **Appendix E** for details of these check payments.

### ***Payments for Goods and Services to “Preferred” Vendors***

During 2001 and 2002, a total of \$957,522 was disbursed to purchase goods or retain services for the Liberation Day festivities. During testing of disbursements, it became apparent that certain individuals and businesses were utilized without determination of best value or comparison to other vendor quotations. We found no documentation to indicate what procurement procedures if any were followed in the selection of these “preferred” vendors. It appears that the selection of these “preferred” vendors were made without a bidding process by the Liberation Day Committee.

Our review of disbursements showed that for the two-year period, one company received payments for supplying canopy and chair rentals in excess of \$100,000. A second vendor was paid \$36,700 for the rental of portable toilets, a third vendor received payments of \$53,000 for sound and lighting rental, and a fourth company was paid \$35,750 for cleaning services. In 2002, one company received \$78,000 for electrical services provided and another company was paid \$61,000 for entertainment, marketing, and media fees. Another vendor was paid \$6,564 for security services.

There were also disbursements to three individuals<sup>16</sup> (including one committee member) during the two years, which amounted to \$87,759 for technical fees, materials, and supplies for the Queen’s Committee. Of these payments, \$32,628 was not supported by invoice or receipt. See **Appendix F** for details. We did not find any documentation within the files of the Liberation Day Committee or at DRT to indicate that the Committee filed statements of earnings such as Form 1099-MISC<sup>17</sup> to vendors and individuals for their services rendered and/or goods provided. This heightens the possibility that earnings by these individuals may not have been reported to DRT, thus resulting in lost income tax revenue.

### ***Lack of Supporting Documentation***

Controls over disbursements should be adequately supported by an invoice or other supporting documentation as evidence that funds were spent appropriately.

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<sup>16</sup> For report purposes, the names of the individuals were withheld; however, these names were provided to the Department of Revenue and Taxation for determination of any taxes due and to the Attorney General.

<sup>17</sup> The IRS 1099 miscellaneous income form is used to report income for individuals and companies who have been paid at least \$600 or more in non-employee service payments during a calendar year.



For 2001 and 2002, check disbursements totaling \$44,731 were not properly substantiated by an invoice, contract, or other supporting documentation. 65% of these payments originated from the Queen's committee. While we would like to see this number reduced to zero, it is commendable that nearly 97% of disbursements were supported. See **Appendix G** for details.

### ***Lack of Control over Small Tools***

In 2002, small tools amounting to \$2,396 such as electric saws, a ladder, bracket sets, and a sander were purchased by the Grounds and Queens committees. We found no inventory of these items and have presumed that they were lost or were "adopted" due to their relatively small value or size.

### ***Other Control Deficiencies***

A budget expresses organizational goals in terms of specific financial and operating objectives.<sup>18</sup> Benefits of establishing a budget include expense projections and cash flow projections to ensure goals are achieved within resource limitations.

For 2001, budgets for only the Raffle, Queens, and Entertainment committees were prepared and comparisons to actual expenditures revealed overspending by \$72,661 for those committees. We did not find an overall budget for the 2001 Liberation Day Committee. For 2002, although an overall Liberation Day Committee budget of \$538,100 was established, expenditures still exceeded the budget by an aggregate of \$185,129, with Raffle, Entertainment, Executive, Miscellaneous and Concessions committees exceeding their respective budgets. See **Appendix H** for details.

We also found that the checks used by the 2002 Committee were not pre-numbered and did not have the organization information pre-printed on the check. We saw hand written check numbers, Committee name, and address on the checks. We found three instances of check numbers used twice.

The Uniform Commercial Code states that a bank is under no obligation to a customer having a checking account to pay a check which is presented more than six months after its date.<sup>19</sup> Our review of the bank reconciliations indicated that there were \$3,593 in stale dated checks still outstanding. The Committee should either make a greater attempt to locate the vendors to whom the checks were written or cancel the checks.

From January 2001 to March 2002, the bank withheld a total of \$428 in taxes. For the remaining months of April to December 2002, no taxes were withheld. The 2001 Committee Treasurer said he was not aware of the nature of this tax.

We contacted the bank in question and found that it is their policy that taxes be withheld from interest-bearing accounts when the taxpayer identification number is not provided.

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<sup>18</sup> Barron's Dictionary of Accounting Terms, 2<sup>nd</sup> Edition

<sup>19</sup> 13 GCA § 4404



It appears these are additional funds that could be made available for the benefit of non-profit organizations if an identification number were provided to the bank. The Liberation Day Committee should obtain an employer identification number from the Internal Revenue Service.

The deficiencies in disbursements could have been prevented if policies and procedures had been developed to address proper accounting, recording, approval, and monitoring of cash transactions.

## **Finding 6: Insufficient Control Over Receipts**

Liberation Day Committee bank statements indicate cash deposits of \$1,285,813 in 2001 and \$664,645 in 2002 for a total of \$1,950,458. The bulk of the cash deposits occurred from May through August and coincides with peak activity of the Liberation Day festivities. See **Appendix A** for bank deposit details for 2001 and 2002.

Because the operations of the Liberation Day activities involve numerous cash transactions, it is especially important that adequate controls be installed over the receipt, collection, recording and identification of such monies. We did not find any procedures or guidelines for the handling of cash receipts for the Liberation Day Committees.

Because of poor record keeping, we were compelled to reconstruct Liberation Day receipts. We gathered receipts and deposit tickets found in the files to generate a listing of receipts and compared them to bank statements. For 2001, we found 117 deposit tickets and receipts documenting inflows of \$973,909 and for 2002, 72 deposit tickets and receipts yielding \$656,858, for a two-year total of \$1,630,767. \$318,049 of deposits found in bank statements could not be traced to receipts. We were not able to determine the nature of or the responsible committee for deposits of \$642,133 in 2001 and \$597,550 in 2002. See **Appendix K** for receipts details.

Deficiencies found in receipts testing were as follows:

- Receipts did not always indicate the purpose of the deposit or the submitting committee.
- Multiple receipt books were used but we did not see evidence of coordination of receipts for the various books.
- Eight receipt numbers could not be accounted for.
- We found two instances where no indication of deposit was made for receipts of \$215. It is not known whether such proceeds were mixed in the funds deposited without receipt documentation.

These discrepancies raise the concern that if payments were made to the Committee without the issuance of a receipt, it is possible that other payments were received but not deposited into the bank.



Because of the inherent risk of cash transactions, receipts should be deposited to the bank in a timely manner, preferably on a daily basis. In our review of 2001 deposits to the bank we found the majority of deposits were made within three days of receipt. For 2002, we found 15 out of 53 identified receipts, where deposits were made between 4 and 14 days.<sup>20</sup>

We also reviewed bank reconciliations that were found in the Liberation Day files. The purpose of a monthly bank reconciliation is to verify the amount of cash contained in the bank checking account and to ensure that all transactions recorded on the bank statement are valid.<sup>21</sup> In order for a bank reconciliation to be meaningful, it should be prepared in a timely manner preferably by a person who does not receive and deposit cash or signs checks. We found that bank reconciliations were completed for most of the high activity months, while not for the slower months.

## **Finding 7: Internal Control Structure**

Internal control comprises the plans, methods, and procedures used to reasonably ensure (1) safeguarding of assets, (2) compliance with policies, laws, and procedures, (3) accomplishing stated goals and objectives, (4) reliable information and records, (5) efficient and effective organizations, and (5) preventing and detecting errors and fraud. It also helps minimize operational problems, and help in managing change to cope with shifting environments and evolving demands and priorities. With organizational change comes the requirement that management must continually assess and evaluate its internal controls to assure that the control activities being used are effective and updated when necessary.

Many of the accounting deficiencies of the Liberation Day Committee stem from a lack of established procedures and adequate controls. However, in 2002, the Committee began utilizing QuickBooks accounting software to maintain the financial records, whereas in prior years the records were maintained manually. We also found procedures for the 2002 Liberation Finance, Raffle, Queen's, Parade, Concessions, and Grounds committees but not for overall handling of cash, procurement, and disbursements. The long history of Liberation Day activities should have resulted in perfecting the procedures. Future Liberation Committees should continue to improve and update the rules and procedures governing Liberation activities. Please refer to **Appendix L** for a more detailed discussion of Internal control.

### ***Ambiguity of Codified Laws***

Internal control serves as a device to ensure compliance with laws. As mentioned, the Guam Legislature established some parameters to govern the process of planning and coordinating Liberation Day activities. Rather than abiding by these parameters, for 27

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<sup>20</sup> In our testing, deposit timeframe of three days is acceptable to account for lapse of days for the weekend.

<sup>21</sup> [www.toolkit.cch.com](http://www.toolkit.cch.com)



years each Governor has elected to directly appoint a Liberation Day Committee of government employees. In the current format, the public sector plays a much greater role in managing Liberation Day activities than was prescribed by the Legislature.

The existing law states that government resources are not to be utilized in the promotion of Liberation Day activities other than the creation of agency floats. We are concerned that the use of government employees for the Liberation Day Committee may be a violation of the law. We recognize that the Governor retains broad powers to establish and appoint committees.

The law regulating the Liberation Day festivities is confusing and has not been revised or updated. Guam law still states that the Liberation Day festivities are to be held at Ypao Beach Park and the beneficiaries of Liberation Day proceeds are to be divided among the sponsoring organization, the Commissioner's Council, and the Department of Vocational Rehabilitation. Past Governors have sidestepped the law by renaming the Liberation Day function and operating it under an executive order. Inconsistencies and ambiguities of law should be clarified and laws updated to reflect the current practice of Liberation activities. We recommend that the Liberation Day Committee make recommendations to the Governor for changes to existing law and that the Governor submit the proposed changes to the Legislature.

### ***Financial Statements Filings and Presentation***

Internal control serves to ensure reliable information and records. Section 14102 of Title 18 of the Guam Code Annotated requires non-profit organizations to file their financial statements, which shall include both a balance sheet and an income statement, with the DRT and publish the financial information within 45 days of the close of their fiscal year in a newspaper of general circulation.

During our review of the documents filed by the Liberation Day Committee at the Department of Revenue and Taxation, we found that the income statement but not balance sheet was filed for 2001. We are not aware if the 2001 financial information was published in the newspaper. As of March 2003, the 2002 Liberation Day Committee had not filed any financial reports with DRT.

Additionally, from its formal organization in 1975, we found inconsistencies in financial reporting to DRT.

## **Recommendations**

### **Recommendations to the Liberation Day Committee:**

1. Establish formal policies and procedures for overall Liberation Day activities in addition to the various sub-committees. These procedures should include:
  - a. An annual audit conducted by independent auditors;
  - b. Financial reporting procedures to include budgets of allowable costs, summary reports, and bank reconciliations, etc;



- c. Protocol for the accounting of revenue (segregation of duties, receiving, documentation, depositing, reconciliation, etc.);
  - d. Protocol for check disbursements (authorization, dual-signatures, pre-numbered and pre-printed checks, adequate supporting documentation, no checks payable to “cash,” etc.);
  - e. Procurement policy for the solicitation of goods and services;
  - f. Continued utilization of accounting software (or Quickbooks) to ensure proper accountability of all activities and report preparation; and
  - g. Recording of fixed assets.
- 2. Request future beneficiaries of Liberation Day net proceeds to furnish a copy of their financial statements filed with DRT and a report of the uses of such funds to ensure donated funds are for worthy causes. The financial statements should be publicized in a newspaper of general circulation within 45 days of the close of the year end.
- 3. Regarding disbursements:
  - a. Disbursements to sponsors for proceeds of raffle sales should be made payable to the specified sponsor and not an individual.
  - b. We recommend the Liberation Day Committee identify such amount remitted to the IRS in withholding taxes and determine the cost-effectiveness of requesting a refund of those taxes.
- 4. Regarding procurement policies:
  - a. Procurement policies should include a qualification that selected vendors are not indebted to the government or that the payments to the vendor can be legally offset to pay the government. The coordination and cooperation with DRT should be sought.
  - b. The Liberation Day Committee should issue IRS Form 1099<sup>22</sup> to individuals and other vendors as required under law.
- 5. Regarding concessions:
  - a. Independent auditors should be present to observe the bid opening and award process.
  - b. The entire bid opening process should be documented to including a list of attendees tracked with a sign-in sheet, a list of bids submitted and corresponding deposits submitted with receipt number, a list of bids awarded and rejected and corresponding award letters or rejection notices explaining the reasons for rejection.
  - c. Bids for gambling and alcohol sales must be carefully scrutinized for authenticity of documentation in coordination with DRT. This includes verification of authorizing non-profit organization and financial report accounting for such funds of the organization. No person should solely

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<sup>22</sup> The IRS 1099 miscellaneous income form is used to report income for individuals and companies who have been paid at least \$600 or more in non-employee service payments during a calendar year.



- benefit from these types of activities by unauthorized use of an organization's name.
- d. All concessions should be charged uniformly for their respective concessions to include clean-up and utility fees. Bids should be for at least minimum amounts stated in the bid packet.
6. Regarding raffle ticket sales:
    - a. Sponsors should be held liable for unsold raffle tickets. All efforts must be made to require sponsors to either submit the tickets or make arrangements to pay for them. Furthermore, a list of those sponsors with outstanding booklets should be maintained in files to prevent them from participating in other Liberation Day Queen raffles.
    - b. The Liberation Day Committee should ensure its proper filing to DRT of Form FCN 2-2-136 *Ticket Registration Form*.
  7. Regarding receipts:
    - a. All monies received should be documented in pre-numbered receipts. Documented distribution of sequentially numbered official receipt books to respective committee will ensure all receipts are accounted for.
    - b. Use of a Night Depository will minimize instances of lost cash and theft during days with high cash collections. Additionally, the treasurer should prepare a running list of cash proceeds identifying its source.
  8. Safekeeping of organizational documents should be centralized for ease of transition to the next committee and for auditing purposes.
  9. We recommend that the Committee coordinate with Department of Revenue and Taxation to comply with the various requirements of a non-profit organization. Annual reports required are Form 990 – Return of Organization Exempt from Income Tax and Form FCN 2-2-111 – Annual Information Return for Tax Exempt Persons and Application for Exemption Form 1023 or 1024. The Liberation Day Committee should also obtain an Employer Identification Number (EIN) from the Internal Revenue Service. The Committee should also publish the annual report required by Section 14102 of Title 18 of the Guam Code Annotated.
  10. Coordination with government agencies such as the Department of Revenue and Taxation for licensing of concession vendors, Department of Public Health and Social Services for health & food inspections, the Guam Power Authority and the Guam Waterworks Authority for utilities hookup, the Guam Police Department for safety and crowd control and the Department of Parks and Recreation for ground maintenance.

**Recommendations to the Legislature:**

1. We recommend the Legislature revisit and update the laws related to the Liberation Day festivities and/or activities to ensure they are still applicable. We recommend the Legislature clarify references to the Guam Island Fair, Guam



Island Fair Committee, and Liberation Day Carnival. In our letter dated June 26, 2002, to then-Senators Felix Camacho and Kaleo Moylan, we recommended that an annual audit be performed on the funds of Liberation Day activities. See **Appendix O** for our letter.

2. Government employees have been appointed and participated in the planning and coordination of the Liberation Day activities and their involvement will, in all likelihood, continue. We recommend that the Legislature repeal Section 1013 of Title 1 of the Guam Code Annotated relative to the involvement of government employees in Liberation Day activities.

### **Recommendations to the Attorney General and Department of Revenue and Taxation**

We recommend the Attorney General of Guam review the Liberation Day activities regarding underreporting of proceeds by People Helping People, the Manenggon Memorial Foundation, payments made to individuals, the use of general fund monies for raffle tickets, and gambling activities and determine if such actions warrant appropriate legal and criminal action.

We recommend the Director of the Revenue and Taxation to coordinate efforts with the Liberation Day Committee to enforce mandatory laws and regulations. Details of these recommendations are discussed in items 4, 5, 9 and 10 of the recommendations to the Liberation Day Committee.

### **Limitations of the Report**

The period covered by our report was the 24-month period from January 1, 2001 through December 31, 2002. Our audit was conducted in accordance with *Generally Accepted Government Auditing Standards*.

This report has been released to the Governor of Guam, the Speaker and members of the 27<sup>th</sup> Guam Legislature, the Attorney General of Guam, the U.S. Department of Interior, the U.S. Attorney for Guam, and the Department of Revenue and Taxation. This report is a matter of public record and its distribution is not limited.

This report does not provide conclusions involving legal determinations.

### **OFFICE OF THE PUBLIC AUDITOR**



Doris Flores Brooks, CPA  
Public Auditor



## **Appendices**



## Appendix A: Detail of Bank Deposits and Disbursements

Statement Date	Deposits	Disbursements	Ending
<b>Beginning Balance</b>			\$ 117,220.08
Jan 1 - 31, 2001	\$ 51,086.97	\$ (54,523.91)	\$ 113,783.14
Feb 1 - 28, 2001	\$ 259,325.73	\$ (12,720.44)	\$ 360,388.43
Mar 1 - 31, 2001	\$ 84.87	\$ (307,196.01)	\$ 53,277.29
Apr 1 - 30, 2001	\$ 21.83	\$ (325.27)	\$ 52,973.85
May 1 - 31, 2001	\$ 459,851.65	\$ (49,243.24)	\$ 463,582.26
Jun 1 - 30, 2001	\$ 357,206.63	\$ (216,327.19)	\$ 604,461.70
July 1 - 31, 2001	\$ 111,717.30	\$ (162,193.04)	\$ 553,985.96
Aug 1 - 31, 2000	\$ 44,746.86	\$ (63,834.26)	\$ 534,898.56
Sep 1 - 30, 2001	\$ 1,666.47	\$ (59,247.66)	\$ 477,317.37
Oct 1 - 31, 2001	\$ 70.11	\$ (343,033.88)	\$ 134,353.60
Nov 1 - 30, 2001	\$ 18.82	\$ (10,809.74)	\$ 123,562.68
Dec 1 - 31, 2001	\$ 15.61	\$ (2,576.96)	\$ 121,001.33
<b>Subtotal</b>	<b>\$1,285,812.85</b>	<b>\$(1,282,031.60)</b>	
Jan 1 - 31, 2002	\$ 15.42	\$ (4.63)	\$ 121,012.12
Feb 1 - 28, 2002	\$ 13.93	\$ (4.18)	\$ 121,021.87
Mar 1 - 31, 2002	\$ 15.42	\$ (4.63)	\$ 121,032.66
Apr 1 - 30, 2002	\$ 14.71	\$ (3,146.98)	\$ 117,900.39
May 1 - 31, 2002	\$ 527,739.13	\$ (2,318.25)	\$ 643,321.27
June 1 - 30, 2002	\$ 59,464.41	\$ (66,701.72)	\$ 636,083.96
July 1 - 31, 2002	\$ 60,635.51	\$ (210,072.79)	\$ 486,646.68
Aug 1 - 31, 2002	\$ 14,814.72	\$ (173,595.57)	\$ 327,865.83
Sep 1 - 30, 2002	\$ 1,734.84	\$ (69,077.35)	\$ 260,523.32
Oct 1 - 31, 2002	\$ 173.51	\$ (22,289.50)	\$ 238,407.33
Nov 1 - 30, 2002	\$ 13.28	\$ (10,607.07)	\$ 227,813.54
Dec 1 - 31, 2002	\$ 9.67	\$ -	\$ 227,823.21
<b>Subtotal</b>	<b>\$ 664,644.55</b>	<b>\$ (557,822.67)</b>	
Jan 1 - 31, 2003	\$ 9.67	\$ -	\$ 227,832.88
Feb 1 - 28, 2003	\$ 6.93	\$ (164,904.54)	\$ 62,935.27
Mar 1 - 31, 2003	\$ 2.66	\$ (405.50)	\$ 62,532.43 <sup>23</sup>
<b>Subtotal</b>	<b>\$ 19.26</b>	<b>\$ (165,310.04)</b>	
<b>Grand total</b>	<b>\$1,950,476.66</b>	<b>\$(2,005,164.31)</b>	

<sup>23</sup> On April 7, 2003, OPA officially bestowed \$62,532.43 to the 2003 Liberation Day Committee Finance Chair. This amount was carried forward from the Liberation Day Committee March 2003 checking account balance.



## Appendix B: Reconstructed Revenue and Expenses

	<u>2001</u>	<u>2002</u>
<b>Revenues</b>		
Raffle ( <b>Appendix J</b> )	117,689.00	59,877.00
Concessions ( <b>Appendix I</b> )	660,557.50	531,603.87
Parade Fees	5,236.47	0.00
Sponsorship/Donations	38,330.00	300.00
Interest	1,347.50	403.65
Unidentified Revenues	462,652.38	72,460.03
<b>Total Revenues (Appendix K)</b>	<u><b>1,285,812.85</b></u>	<u><b>664,644.55</b></u>
<b>Expenses</b>		
Concessions	175,900.10	78,536.46
Entertainment	14,720.00	90,035.60
Executive	88,571.17	65,569.94
Grounds	118,367.52	214,763.46
Miscellaneous	316,119.44	168,456.02
Parade	34,517.50	5,297.00
Queens	81,874.95	61,532.44
Raffle	76,782.00	39,038.00
<b>Total Expenses (See Appendix C)</b>	<u><b>906,852.68</b></u>	<u><b>723,228.92</b></u>
<b>Net Income (Loss)</b>	<b>\$ 378,960.17</b>	<b>\$ (58,584.37)</b>



## Appendix C: Reconstructed Detail of Expenditures

	<u>2001</u>			<u>2002</u>		
	<u>Supported</u>	<u>Un-supported</u>	<u>2001 Total</u>	<u>Supported</u>	<u>Un-supported</u>	<u>2002 Total</u>
<b>CONCESSION</b>						
Advertising	712.60	0.00	712.60	2,492.96	198.50	2,691.46
Dubbing of Parade Video	2,635.00	0.00	2,635.00	2,995.00	0.00	2,995.00
Concession Refunds	172,552.50	0.00	172,552.50	72,850.00	0.00	72,850.00
	<b>175,900.10</b>	<b>0.00</b>	<b>175,900.10</b>	<b>78,337.96</b>	<b>198.50</b>	<b>78,536.46</b>
<b>ENTERTAINMENT</b>						
Rent	0.00	0.00	0.00	28,500.00		28,500.00
Entertainment fees	14,720.00	0.00	14,720.00	61,535.60		61,535.60
	<b>14,720.00</b>	<b>0.00</b>	<b>14,720.00</b>	<b>90,035.60</b>	<b>0.00</b>	<b>90,035.60</b>
<b>EXECUTIVE</b>						
Airfare for Grand Marshals	18,964.87		18,964.87	29,249.94	0.00	29,249.94
Fireworks	58,000.00		58,000.00	31,200.00	0.00	31,200.00
Legal fees	0.00	10,000.00	10,000.00	5,000.00	0.00	5,000.00
Stipend	500.00		500.00	0.00	0.00	0.00
Other	1,106.30		1,106.30	120.00	0.00	120.00
	<b>78,571.17</b>	<b>10,000.00</b>	<b>88,571.17</b>	<b>65,569.94</b>	<b>0.00</b>	<b>65,569.94</b>
<b>GROUNDS</b>						
Meals	0.00	0.00	0.00	780.28	0.00	780.28
Preparation and Repairs	33,554.52	0.00	33,554.52	100,142.93	5,166.25	105,309.18
Insurance	0.00	0.00	0.00	3,570.00	0.00	3,570.00
Security	0.00	0.00	0.00	6,564.00	0.00	6,564.00
Rent	66,813.00	0.00	66,813.00	79,830.00	0.00	79,830.00
Clean-up	18,000.00	0.00	18,000.00	17,750.00	0.00	17,750.00
Movers	0.00	0.00	0.00	960.00	0.00	960.00
	<b>118,367.52</b>	<b>0.00</b>	<b>118,367.52</b>	<b>209,597.21</b>	<b>5,166.25</b>	<b>214,763.46</b>
<b>MISCELLANEOUS</b>						
Donations	310,000.00	0.00	310,000.00	0.00	0.00	0.00
Meals	5,521.00	0.00	5,521.00	0.00	0.00	0.00
Advertising	491.70	0.00	491.70	0.00	0.00	0.00
Utilities (2001 & 2002)	0.00	0.00	0.00	167,621.02	0.00	167,621.02
Other	106.74	0.00	106.74	835.00	0.00	835.00
	<b>316,119.44</b>	<b>0.00</b>	<b>316,119.44</b>	<b>168,456.02</b>	<b>0.00</b>	<b>168,456.02</b>
<b>PARADE</b>						
Prizes	7,800.00	0.00	7,800.00	3,837.00	0.00	3,837.00
Meals	1,980.00	0.00	1,980.00	480.00	0.00	480.00
Rental	9,637.50	0.00	9,637.50	0.00	0.00	0.00
Construction	13,800.00	0.00	13,800.00	0.00	0.00	0.00
Professional/Service Fee	500.00	0.00	500.00	980.00	0.00	980.00
Donation	300.00	0.00	300.00	0.00	0.00	0.00
Materials and Decorations	0.00	500.00	500.00	0.00	0.00	0.00
	<b>34,017.50</b>	<b>500.00</b>	<b>34,517.50</b>	<b>5,297.00</b>	<b>0.00</b>	<b>5,297.00</b>



	<u>2001</u>			<u>2002</u>		
	<u>Supported</u>	<u>Un-supported</u>	<u>2001 Total</u>	<u>Supported</u>	<u>Un-supported</u>	<u>2002 Total</u>
<b>QUEEN'S</b>						
Materials and Decorations	22,324.33	12,005.00	34,329.33	28,650.34	8,247.21	36,897.55
Professional/Service Fee	19,418.72	3,000.00	22,418.72	13,109.15	5,657.85	18,767.00
Mass Service	2,000.00		2,000.00	1,500.00	0.00	1,500.00
Prize Money	3,950.00		3,950.00	4,000.00	0.00	4,000.00
Other	1,228.98		1,228.98	367.89	0.00	367.89
Meals	6,947.92		6,947.92	0.00	0.00	0.00
Hotel charges	11,000.00		11,000.00	0.00	0.00	0.00
	<b>66,869.95</b>	<b>15,005.00</b>	<b>81,874.95</b>	<b>47,627.38</b>	<b>13,905.06</b>	<b>61,532.44</b>
<b>RAFFLE</b>						
Prize Money	19,000.00		19,000.00	15,100.00	0.00	15,100.00
Sponsor share	43,232.00		43,232.00	19,438.00	0.00	19,438.00
Printing	9,500.00		9,500.00	4,000.00	0.00	4,000.00
Rental	4,800.00		4,800.00	0.00	0.00	0.00
Meals	0.00		0.00	500.00	0.00	500.00
Professional/Service Fee	250.00		250.00	0.00	0.00	0.00
	<b>76,782.00</b>	<b>0.00</b>	<b>76,782.00</b>	<b>39,038.00</b>	<b>0.00</b>	<b>39,038.00</b>
<b>TOTAL EXPENSES</b>	<b>881,347.68</b>	<b>25,505.00</b>	<b>906,852.68</b>	<b>703,959.11</b>	<b>19,269.81</b>	<b>723,228.92</b>
<b>Reconciling Items:</b>						
Stale Checks			(2,328.00)			(905.50)
Disbursed in 2003 for 2002 expenses			0.00			(165,404.56)
Bank charges			2,720.00			890.35
Withholding Tax			415.00			13.44
Disbursements related to prior year			374,371.92			0.00
			<b>377,506.92</b>			<b>(164,500.77)</b>
<b>Total Bank Disbursements (Appendix A)</b>	<b>2001</b>		<b>1,282,031.60</b>	<b>2002</b>		<b>557,822.65</b>



## Appendix D: Results of Survey

We surveyed 49 Government of Guam agencies (autonomous and line) to determine their degree of involvement with the Liberation Day activities. Of the 49 agencies, 44 responded to our questionnaires while 5 chose not to participate by not returning our survey form. The question asked, responses received, and what we found during our audit are summarized below.

1. *Did your agency or employees' association contribute monetarily or in some other form towards the Liberation Day activities during 2001 and/or 2002? If so, please indicate amounts (dollars, hours, quantity, etc.) and the type of contribution provided (monetary, services, equipment, supplies, detailed employees, etc.) for 2001 and/or 2002.*

Government Agency or Employees' Assn.	Contribution
Guam International Airport Authority	\$8,380 total - promotional items (\$8,030), Queen's Ball tickets (\$350)
Guam Telephone Authority	Estimated cost unknown - Cellular, landline, mobile phone services
Dept. of Parks and Recreation	Estimated cost unknown - Logistical support: grass cutting, bleacher placement, slot reservations
Customs and Quarantine Employees' Assn.	Attempted sales of raffle tickets as sponsor for Queen candidate
Chamorro Land Trust Commission	\$4,000 check issued to Deputy Admin. Director for Liberation expenses. Paid back to the Commission prior to our audit.

**Audit results:** *Such in-kind contributions were not reflected in the financial statements.*

2. *Did your agency or employees' association sponsor a Liberation Queen candidate for 2001 and/or 2002? If so, how much did your agency or employees' association contribute to the candidate?*

Government Agency or Employees' Assn.	Contribution per agency	Contribution per audit	Variance
Chamorro Land Trust Commission	None	\$ 3,080.00	\$ 3,080.00
Dept. of Administration	None	\$ 585.00	\$ 585.00
Guam Memorial Hospital Employees' Assn.	\$100.00	\$ 2,840.00	\$ 2,740.00
Guam Telephone Authority	None	\$ 370.00	\$ 370.00
Port Authority of Guam	None	\$ 375.00	\$ 375.00
Dept. of Admin. Employees' Assn.	None	\$ 6,721.00	\$ 6,721.00
Dept. of Education Employees' Assn.	\$ 15,686.00	\$ 15,686.00	\$ 0.00
Guam Power Assn. Employees' Assn.	\$ 200.00	\$ 18,780.00	\$ 18,580.00
Dept. of Public Health & Social Svcs. Emp. Assn.	None	\$ 500.00	\$ 500.00
<b>TOTALS</b>	\$ 15,986.00	\$ 48,937.00	\$ 32,951.00



3. Did your agency or employees' association receive proceeds or your contribution?

Employees Association	Proceeds per agency	Proceeds per audit	Variance
Dept. of Admin. Employees' Assn.	No	\$ 2,270.50	\$ 2,270.50
Department of Education	No	\$ 2,000.00	\$ 2,000.00
Dept. of Education Employees' Assn.	No	\$ 7,593.00	\$ 7,593.00
Guam Memorial Hospital Emp. Assn.	\$ 1,034.00	\$ 1,132.50	\$ 98.50
Guam Power Authority Emp. Assn.	No	\$ 8,253.00	\$ 8,253.00
Guam Intl. Airport Auth. Emp. Assn.	No	\$ 208.00	\$ 208.00
Port Authority of Guam	No	\$ 50.00	\$ 50.00
Chamorro Land Trust Commission	No	\$ 3,562.50	\$ 3,562.50
<b>TOTALS</b>	\$ 1,034.00	\$ 25,069.50	\$ 24,035.50

*Audit results: Liberation Day Committee proceeds of \$24,035.50 were paid to government agencies and employees' associations; however, these payments have not been acknowledged by the recipients*

**Appendix E: Disbursement of Sponsor's Raffle Proceeds Paid to Individuals**

Date	Check No.	Amount	Main Sponsor	Endorsement
8/27/01	573	\$ 1,000.00	DOE	Deposited to individual's account
9/27/01	582	\$ 2,833.50	Sponsor 1	Check cashed by individual
10/2/01	588	\$ 1,000.00	DOE	Deposited to individual's account
10/3/01	589	\$ 3,562.50	Chamorro Land Trust Commission	Deposited to individual's account
10/5/01	591	\$ 8,650.00	Merizo community	Check cashed by individual
10/9/01	594	\$ 3,745.00	Sta. Rita Mayor's Office	Deposited to individual's account
		<b><u>\$20,791.00</u></b>		

**Disbursements to Organizations Cashed by Individuals**

Date	Check No.	Payee	Amount	Description	Endorsed by
8/1/01	518	DOE Chamorro Studies	\$ 500.00	2nd place government float	Individual Dept of Education, Chamorro Studies
8/1/01	519	Department of Agriculture	\$ 300.00	3rd place government float	Individual Dept of Agriculture
8/15/01	557	Merizo Mayor's Office	\$ 100.00	11th Prize	Individual Merizo Mayor's Office
			<b><u>\$ 900.00</u></b>		



## Appendix F: Professional/Technical Fees Paid to Individuals

### Earnings by Year

	2001	2002	Total
Individual 1	\$ 21,535.17	\$ 20,141.00	\$ 41,676.17
Individual 2	\$ 8,500.00	\$ 26,837.00	\$ 35,337.00
Individual 3	\$ 8,337.77	\$ 2,408.15	\$ 10,745.92
<b>TOTALS</b>	<b>\$ 38,372.94</b>	<b>\$ 49,386.15</b>	<b>\$ 87,759.09</b>

### Detail of Service and Goods Provided

	Professional/ Technical Fees	Materials and Supplies	Others	Total	Amount Unsupported
Individual 1	\$ 12,265.00	\$ 25,411.17	\$ 4,000.00	\$ 41,676.17	\$ 19,905.88
Individual 2	\$ 8,500.00	\$ 26,837.00	\$ -	\$ 35,337.00	\$ 4,474.99
Individual 3	\$ 3,000.00	\$ 7,378.03	\$ 367.89	\$ 10,745.92	\$ 8,247.21
<b>TOTALS</b>	<b>\$ 23,765.00</b>	<b>\$ 59,626.20</b>	<b>\$ 4,367.89</b>	<b>\$ 87,759.09</b>	<b>\$ 32,628.08</b>

## Appendix G: Unsupported Disbursements

Committee	Check No.	Description	Disbursement Amount	Amount Unsupported
EXECUTIVE	<b>350</b>	Legal services	\$ 10,000.00	\$ 10,000.00
PARADE	<b>400</b>	Decorations	\$ 500.00	\$ 500.00
QUEEN'S	<b>366</b>	Materials & Supplies	\$ 3,000.00	\$ 55.00
QUEEN'S	<b>377</b>	Materials for float	\$ 4,500.00	\$ 2,955.88
QUEEN'S	<b>376</b>	Formal wear-candidates	\$ 2,500.00	\$ 2,500.00
QUEEN'S	<b>389</b>	Gowns	\$ 1,000.00	\$ 1,000.00
QUEEN'S	<b>390</b>	Gowns	\$ 450.00	\$ 450.00
QUEEN'S	<b>397</b>	Stage preparation	\$ 2,000.00	\$ 2,000.00
QUEEN'S	<b>430</b>	Technical fees	\$ 3,000.00	\$ 3,000.00
QUEEN'S	<b>453</b>	Materials and supplies	\$ 3,000.00	\$ 3,000.00
<b>SUBTOTAL 2001</b>			<b>\$ 29,950.00</b>	<b>\$ 25,460.88</b>

ADS	<b>6</b>	Raffle ticket announcement	\$ 198.50	\$ 198.50
GROUND'S	<b>17</b>	Banners, pennants, material	\$ 6,680.00	\$ 3,762.14
GROUND'S	<b>21</b>	Airway bill for carnival banners	\$ 404.11	\$ 404.11
GROUND'S	<b>29</b>	Materials for carnival	\$ 1,000.00	\$ 1,000.00
QUEENS	<b>22</b>	Materials	\$ 7,401.00	\$ 3,000.00
QUEENS	<b>72</b>	Professional/technical fees	\$ 3,157.00	\$ 657.85
QUEENS	<b>105</b>	Reimbursement for committee expenses	\$ 504.76	\$ 247.21
QUEENS	<b>11</b>	Materials and supplies	\$ 5,000.00	\$ 5,000.00
QUEENS	<b>38</b>	Professional/technical fees	\$ 5,000.00	\$ 5,000.00
<b>SUBTOTAL 2002</b>			<b>\$ 29,345.37</b>	<b>\$ 19,269.81</b>
<b>GRAND TOTAL 2001&amp; 2002</b>			<b>\$ 59,295.37</b>	<b>\$ 44,730.69</b>



## Appendix H: Comparison of Budget to Expenses

**2001**

Committee	Budget	Expenditure	Over (Under) Budget
RAFFLE	\$ 35,200.00	\$ 76,574.00	\$ 41,374.00
QUEENS	\$ 50,300.00	\$ 80,154.95	\$ 29,854.95
ENTERTAINMENT	\$ 17,000.00	\$ 16,440.00	\$ (560.00)
PARADE	\$ 32,525.00	\$ 34,517.50	\$ 1,992.50
GROUND	none available	\$ 118,367.52	\$ 118,367.52
CONCESSIONS	none available	\$ 175,900.10	\$ 175,900.10
EXECUTIVE	none available	\$ 85,205.20	\$ 85,205.20
MISCELLANEOUS	none available	\$ 319,693.41	\$ 319,693.41
<b>2001 TOTALS</b>	<b>\$ 135,025.00</b>	<b>\$ 906,852.68</b>	<b>\$ 771,827.68</b>

**2002**

Committee	Budget	Expenditure	Over (Under) Budget
RAFFLE	\$ 8,000.00	\$ 39,038.00	\$ 31,038.00
QUEENS	\$ 64,300.00	\$ 61,532.44	\$ (2,767.56)
ENTERTAINMENT	\$ 60,000.00	\$ 121,235.60	\$ 61,235.60
PARADE	\$ 32,800.00	\$ 5,297.00	\$ (27,503.00)
CARNIVAL GROUNDS TRASH PICKUP	\$ 250,000.00	\$ 214,763.46	\$ (35,236.54)
CONCESSIONS	none available	\$ 78,536.46	\$ 78,536.46
EXECUTIVE	\$ 73,000.00	\$ 129,202.04	\$ 56,202.04
MISCELLANEOUS	\$ 50,000.00	\$ 73,623.92	\$ 23,623.92
<b>2002 TOTALS</b>	<b>\$ 538,100.00</b>	<b>\$ 723,228.92</b>	<b>\$ 185,128.92</b>



## Appendix I: Reconstructed Detail of Concessions Revenue

	2001		2002		
Category	No. of Bidders	Total Amount of Bid	No. of Bidders	Total Amount of Bid	Total per category
Non-alcoholic Beverages	2	\$ 13,900.00	2	\$ 5,600.00	\$ 19,500.00
Alcoholic Beverages	1	\$ 12,999.00	1	\$ 12,149.99	\$ 25,148.99
Confectionery 1	3	\$ 2,938.00	2	\$ 3,079.00	\$ 6,017.00
Confectionery 2	1	\$ 1,200.00	3	\$ 5,509.00	\$ 6,709.00
<i>Unlisted Confectionery 2</i>	1	\$ 1,200.00	0	\$ -	\$ 1,200.00
Food Sales 1	5	\$ 5,804.41	4	\$ 4,301.00	\$ 10,105.41
<i>Unlisted Food Sales 1</i>	1	\$ 1,500.00	1	\$ 1,100.00	\$ 2,600.00
Food Sales 2	2	\$ 1,128.00	5	\$ 2,928.00	\$ 4,056.00
<i>Unlisted Food Sales 2</i>	1	\$ 500.00	0	\$ -	\$ 500.00
Game of Skill-Oversized	5	\$ 4,700.00	6	\$ 8,050.94	\$ 12,750.94
Game of Skill-Regular	56	\$ 27,520.51	25	\$ 14,665.97	\$ 42,186.48
Casino	2	\$427,100.00	1	\$390,000.00	\$ 817,100.00
Color game	4	\$ 17,669.00	3	\$ 10,082.00	\$ 27,751.00
Big and Small	0	\$ -	1	\$ 1,000.00	\$ 1,000.00
Over and Under	0	\$ -	1	\$ 1,500.00	\$ 1,500.00
Wheel of Fortune	1	\$ 1,260.00	1	\$ 1000.00	\$ 2,260.00
Crack-its/Punch Board	1	\$ 1,000.00	0	\$ -	\$ 1,000.00
Beto-Beto	3	\$ 37,899.00	2	\$ 25,599.99	\$ 63,498.99
Bingo	1	\$ 15,900.00	1	\$ 10,798.99	\$ 26,698.99
Kina Game	1	\$ 2,500.00	0	\$ -	\$ 2,500.00
Pachinko Slots	1	\$ 20,888.88	0	\$ -	\$ 20,888.88
Miscellaneous	5	\$ 1,268.00	1	\$ 50.00	\$ 1,318.00
Cigarettes, Cigars & Tobacco	0	\$ -	1	\$ 258.00	\$ 258.00
Photos, Postcards & Paintings	0	\$ -	1	\$ 255.99	\$ 255.99
Agricultural: Animal	0	\$ -	1	\$ -	\$ 0.00
Agricultural: Plant	0	\$ -	0	\$ -	\$ 0.00
Handcrafted in Guam items	0	\$ -	4	\$ -	\$ -
Other	3	\$ 300.00	0	\$ -	\$ 300.00
Carnival Rides: Children	2	\$ 2,000.00	14	\$ 1,400.00	\$ 3,400.00
Carnival Rides: Adults	9	\$ 6,432.70	2	\$ 200.00	\$ 6,632.70
<b>Total Concession Bid revenue</b>	<b>111</b>	<b>\$607,607.50</b>	<b>83</b>	<b>\$499,528.87</b>	<b>\$1,107,136.37</b>
<b>Utility and Clean-Up Charges</b>		<b>\$ 52,950.00</b>		<b>\$ 32,075.00</b>	
<b>Total Concession Revenues</b>		<b><u>\$660,557.50</u></b>		<b><u>\$531,603.87</u></b>	

*28 bids were refunded, transferred, or forfeited and not included on this list.*



## Appendix J: Reconstructed Detail of Raffle Ticket Sales

### 2001 Raffle Ticket Sales

Sponsor	Number of raffle booklets			
	Issued	Sold	Unsold and returned	Unaccounted
Sponsor 1	1,005	320	685	0
Sponsor 2	3,000	220	2780	0
Sponsor 3	500	300	200	0
Inarajan Mayor's Office	1 005	320	685	0
Sponsor 4/MTM Org.	400	146	254	0
Sponsor 5	300	80	220	0
Barrigada Mayor's Office	2,000	229	1771	0
Sponsor 6	5,600	1,452	4029	119
Ayuda I Manmalagu	7,350	2,341	4989	20
DOE	1,000	1,000	0	0
GPA Employees Association	4,000	1,119	2848	33
Chamorro Land Trust Commission	4,999	1,750	3124	125
Dededo Mayor's Office	3,000	1,743	1214	43
Merizo Mayor / Sponsor 7	4,000	3,765	140	95
Sponsor 8	2,000	711	1247	42
Talofofo Mayor's Office	5,000	1,103	3706	191
Santa Rita Mayor's Office	7,005	2,525	3944	536
Ordot/Chalan Pago Mayor's Office	3,000	958	1586	456
Yona Women's Association	5,000	1,013	3500	487
Guam Nursing Services	3,000	2,158	82	760
<b>Booklet totals</b>	<b>63,164</b>	<b>23,253</b>	<b>37,004</b>	<b>2,907</b>
<b>Total amounts @ \$5 a booklet</b>	<b>\$315,820</b>	<b>\$ 116,265</b>		<b>\$14,535</b>
<b>Registration Fees</b>		<b>\$ 1,400</b>		
<b>Overage</b>		<b>\$ 24</b>		
<b>Total 2001 revenues</b>		<b>\$ 117,689</b>		



## 2002 Raffle Ticket Sales

Sponsor	Number of raffle booklets			
	Issued	Sold	Unsold and returned	Unaccounted
Dededo Mayor	1,000	256	744	0
Sponsor 1	3,000	806	0	2194
DOA Employees Association	2,600	1344	920	336
Yona Women Association	2,000	504	0	1496
Yigo Municipal Planning Council	3,000	782	0	2218
DOE Employees Association	3,000	2421	579	0
U.S. INS Morale Welfare Rec.	600	103	497	0
Simon Sanchez Class of 2003	1,000	82	0	918
GPA Employees Association	5,000	2926	1658	416
Talofofo Mayor's Office	1,000	0	1000	0
GMH Employees Association	2,000	553	1447	0
Tamuning Mayor's office	3,000	783	2112	105
Port Authority of Guam	1,000	65	935	0
Inarajan Municipal Planning Council	400	0	400	0
Barrigada Mayor's Office	1,000	281	719	0
<b>Booklet totals</b>	<b>29,600</b>	<b>10,906</b>	<b>11,011</b>	<b>7,683</b>
<b>Total amounts @ \$5 a booklet</b>	<b>\$148,000</b>	<b>\$ 54,530</b>		<b>\$ 38,415</b>
<b>Registration Fees</b>		<b>\$ 1,250</b>		
<b>Overage</b>		<b>\$ 4,097</b>		
<b>Total 2002 revenues</b>		<b>\$ 59,877</b>		



## Appendix K: Reconstructed Receipts Details

	2001	2002	Total
Identifiable receipts:			
Raffle Ticket Sales	\$ 109,853.00	\$ 59,008.00	\$ 168,861.00
Concessions	\$ 178,355.58		\$ 178,355.58
Sale of Advertisements in Souvenir Booklet	\$ 4,000.00	\$ 300.00	\$ 4,300.00
Sponsorship / Donations	\$ 31,150.00		\$ 31,150.00
Parade proceeds	\$ 5,236.47		\$ 5,236.47
Queen's coronation proceeds	\$ 3,180.00		\$ 3,180.00
<b>Total identifiable receipts</b>	<b>\$ 331,775.05</b>	<b>\$ 59,308.00</b>	<b>\$ 391,083.05</b>
Concession bids reconstructed ( <b>Appendix I</b> )	<b>\$ 482,201.92<sup>24</sup></b>	<b>\$ 531,603.87</b>	<b>\$ 1,239,683.46</b>
Unidentified receipts	<b>\$ 159,931.58</b>	<b>\$ 65,946.09</b>	<b>\$ 127,856.58</b>
<b>Total receipts</b>	<b>\$ 973,908.55</b>	<b>\$ 656,857.96</b>	<b>\$ 1,630,766.51</b>
<b>Reconciling items:</b>			
Interest earned on account	\$ 1,347.50	\$ 403.65	\$ 1,751.15
Less overage of deposit to receipt	\$ 30.00	\$ 75.94	\$ 105.94
Receipts not deposited		\$ (215.00)	\$ (215.00)
<b>Subtotal</b>	<b>\$ 975,286.05</b>	<b>\$ 657,122.55</b>	<b>\$ 1,632,408.60</b>
<b>Unidentified Deposits</b>	<b>\$ 310,526.80</b>	<b>\$ 7,522.00</b>	<b>\$ 318,048.80</b>
<b>Total deposits to bank account</b>	<b>\$ 1,285,812.85</b>	<b>\$ 664,644.55</b>	<b>\$ 1,950,457.40</b>

## Appendix L: Internal Control

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. The standards outlined by the United States General Accounting Office that define the minimum level of quality acceptable for internal control are:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communications
5. Monitoring

The first standard calls for a positive control environment, where integrity and ethical values are maintained and demonstrated by management and staff. Another component of this standard calls for management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to

<sup>24</sup> This amount is a residual amount of total reconstructed concessions revenue of \$660,558 less identified concessions receipts of \$178,356.



accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Another factor that affects the control environment is the manner in which the agency delegates authority and responsibility throughout the organization.

The third standard, control activities, are the policies, procedures, techniques, and mechanisms that enforce management's directives. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. They include activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation. Examples of these include activities such as:

- *Segregation of Duties*: where key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.
- *Proper Execution of Transactions and Events*: where transaction and other significant events should be authorized and executed only by persons acting within the scope of their authority.
- *Accurate and Timely Recording of Transactions and Events*: where transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.
- *Timeliness of Deposits*: where all monies collected, especially if they are in the form of cash, are deposited on a daily basis.
- *Appropriate Documentation of Transactions*: Where all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

Good record keeping is part of an internal control system. It helps protect assets and ensures that employees adhere to applicable laws and policies and use prescribed procedures. Reliable records are also a source of information that management uses to monitor company operations.<sup>25</sup>

The fifth standard deals with internal controls that are designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, and reconciliation. It should also ensure that the findings of audits and other reviews are promptly resolved.

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<sup>25</sup> Larson, Wild, and Chiapetta. "Fundamental Accounting Principles". p.365.



## Appendix M: Department of Revenue and Taxation Specific Event Filings

Year	Application Date	Date of Filing with DRT	Beneficiary
1994	2/3/1994	2/4/1994	To defray expenses for 50th anniversary & other community projects.
1993	3/17/1993	5/12/1993	Gov. Ada Comm. Project and raise funds for 50th celebration
1992	2/28/1992	3/18/1992	Gov. Ada 10 or more special community projects.
1991	4/22/1991	4/23/1991	Gov. Ada 10 or more special community projects.
1990	3/26/1990	3/28/1990	Guam National Olympic Committee
1989	None noted	No stamp by DRT, but attached memo from Governor	
1988	4/13/1998	5/2/1988	Guam Little League, Guam Babe Ruth, Guam Museum, GNOC, Mother Daughter Pageant
1978	2/21/1978	2/23/1978	Latte of Freedom
1975	5/21/1975	5/22/1975	Deserving organization for public benefit

## Appendix N: Comparison of Financial Information

2001

	OPA Appendix B	LDC Appendix P	Under reporting by LDC
Revenues	\$1,285,812.85	\$801,190.67	\$484,622.18
Expenses	\$ 906,852.68	\$734,475.27	\$172,377.41
Net income	\$ 378,960.17	\$ 66,715.40	\$312,244.77

2002

	OPA Appendix B	LDC Appendix P	(Over) Under reporting by LDC
Revenues	\$664,644.55	\$708,938.25	(\$44,293.70)
Expenses	\$723,228.92	\$648,198.03	\$75,030.89
Net (loss)	(\$58,584.37)	\$ 60,740.22	(\$119,324.59)



## Appendix O: Letter to Felix Camacho



OFFICE OF THE PUBLIC AUDITOR

New address: 401 Pacific News Building, 238 Archbishop Flores Street, Hagatna, and Guam 96910

June 26, 2002

Honorable Felix P. Camacho  
Chairman, Committee on Tourism,  
Transportation and Economic Development  
26<sup>th</sup> Guam Legislature  
Sinajana Shopping Mall, Phase II, Suite 15B  
777 Route 4  
Sinajana, Guam 96913

Fax 472-3534

Dear Senator Camacho:

Reference Bill 336:

The bill that you and Senator Moylan have co-sponsored does not appear to take into consideration Section 1013.1(c) of Title 1 of the Guam Code Annotated.

That law provides:

The net proceeds from the Liberation Day Carnival shall be divided between the sponsoring organization who shall be entitled to retain fifty percent (50%) of the net proceeds and twenty-five percent (25%) shall be donated to the Commissioner's (sic) Council, and the remaining twenty-five percent (25%) shall be donated to the Department of Vocational Rehabilitation.

The Compiler of Laws' comment that follows 1 GCA § 1013.1 states that "[I]t would appear that subsections (a), (b) and (d) have been effectively repealed by P. L. 21-136:15, which states: Section 15. Section 3 of Public Law 20-229 is amended to read: "Section 3. Notwithstanding any other provision of law, the Liberation Day Festivities (except for the Liberation Day Parade) shall be held at Ypao Beach Park."

If 1 GCA § 1013 is to be amended, I suggest that 1 GCA § 1013.1(c) also be addressed. The subsections (a), (b) and (d) that the Compiler says were repealed all had to do with the location of the Liberation Day Carnival.

1208 East Sunset Boulevard, Tiyan, Barrigada, Guam 96913  
Tel (671) 475-0390 to 5 • Fax (671) 472-7951



Honorable Felix P. Camacho

June 26, 2002

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Further, if, as the preamble to your bill states, "[f]rom 1995 to 2001, the Liberation Day Carnival Committee has chosen the same charitable cause to receive the proceeds from the annual carnival," then this allocation of funds has been contrary to law. Under 1 GCA § 1013.1(c), one-half of the proceeds should have gone to the sponsoring organization and the other half should have been equally divided between the Mayors' Council and the Department of Integrated Services for Individuals with Disabilities (DISID).

To help avoid the funds being misdirected in the future, I urge that you consider an amendment to your bill that would assure that the funds derived from the Liberation Day Carnival are annually audited. Enclosed is a proposed amendment for your consideration.

Senseramente,



DORIS FLORES BROOKS,  
Public Auditor

cc: Honorable Kaleo S. Moylan  
Chairman, Committee on Ways and Means  
26<sup>th</sup> Guam Legislature  
Sinajana Mall, Phase II, Suite 16 B  
777 Route 4  
Sinajana, Guam 96913

Fax 472-3440

End



Section 1013.1. Annual audit of Liberation Day Carnival Fund. The Office of the Public Auditor shall annually audit or cause to be audited all of the accounts and disbursements of the Liberation Day Carnival Committee. The audited financial statement of the Committee shall be published by the Public Auditor pursuant to the provisions of 1 GCA § 1920. The cost of the audit shall be paid by the Committee from its gross proceeds prior to the disbursement of any net proceeds. The payment shall be made to the Office of the Public Auditor or to the independent audit firm or organization that the Public Auditor selects to perform the audit.



## Appendix P: Copy of Liberation Day Financial Statements

2001 Financial Statement filed with the Department of Revenue and Taxation

### 2001 LIBERATION DAY COMMITTEE

#### Income Statement

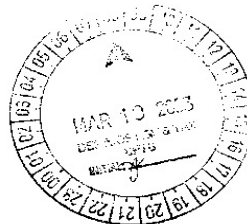
**ROLL-OVER FUNDS:** \$ 52,623.25

#### REVENUES:

Carnival Concession Payment	\$ 655,311.58	
Raffle Ticket Sales	116,203.00	
Queens Entry Fee	1,350.00	
Parade Entry Fee	4,885.00	
Souvenir Booklet Ads	4,150.00	
Coronation Ball Ticket	3,515.00	
Sponsorship Donation	14,000.00	\$ 799,414.58

#### OTHER:

Bank Interest	1,126.73	
Bounce Check Fee	275.00	
Outstanding Checks	374.36	\$ 1,776.09



#### EXPENDITURES:

Grandmarshal and VIP Guest expenses	21,950.59	
Advertisement	3,504.30	
Cash Prizes & Trophies for the parade float winners	7,800.00	
Construction of Parade Grandstand	13,800.00	
Construction of Queens Float	10,500.00	
Entertainment for the carnival	15,120.00	
Asan Bay ceremony	198.53	
Fireworks services	58,000.00	
Legal services	10,000.00	
Parade and carnival stage preparations	2,500.00	
Stipends	750.00	
Liberation Raffle Ticket prizes	19,000.00	
Miscellaneous	1,827.02	
Meals and Refreshment expenses	9,838.20	
Photography services	375.00	
Printing of raffle ticket	9,500.00	
Printing of souvenir booklet, invitations & vehicle passes	5,244.22	
Professional Technical services (coronation ball)	9,450.00	
Floral service (coronation ball)	1,765.00	
Limousine services	1,170.00	
Queens & royal princess wardrobe	7,571.76	
Queens coronation ball & Social functions	29,851.05	
Queens Mass & Breakfast reception	4,500.00	
Queens Royal prizes, trophies & karaoke contest	3,950.00	
Rental of Portable Toilet, Chairs, Canopy & Golf Cart	60,617.50	
Stage sound equipment rental & services	29,633.00	
Trash collection at the carnival grounds	18,000.00	
Utility hookup services for the carnival booth	20,500.00	
Water service at carnival grounds	3,950.54	\$ 380,866.71

#### OTHER EXPENSES:

Bank charges	376.56	
Raffle ticket payoff to Sponsor & Non-sponsor	43,232.00	\$ 43,608.56

#### DONATIONS:

People Helping People	300,000.00	
Manenggon Memorial Foundation	10,000.00	\$ 310,000.00

Prepared by: *[Signature]* EDMOND G. VILLANUEVA, Treasurer

This income statement is subject to audit

Net Balance \$ 119,338.65



## 2002 Financial Statements generated from Quickbooks

(Note: As of March 2003, the 2002 Financial Statement has not been filed with Department of Revenue and Taxation)

QDATA1-All Accounts

2/12/03

### Balance Sheet

As of 2/12/03

Page 1

Acct	2/12/03 Balance
<b>ASSETS</b>	
Cash and Bank Accounts	
2002 Liberation Day Executive	60,740.22
<b>TOTAL Cash and Bank Accounts</b>	<b>60,740.22</b>
<b>TOTAL ASSETS</b>	<b>60,740.22</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>LIABILITIES</b>	
Other Liabilities	
GPA Bill	210,299.08
Guam Waterworks Authority	2,716.48
<b>TOTAL Other Liabilities</b>	<b>213,015.56</b>
<b>TOTAL LIABILITIES</b>	<b>213,015.56</b>
<b>EQUITY</b>	<b>-152,275.34</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>60,740.22</b>



# Cash Flow Report

1/1/02 Through 2/12/03

2/12/03

Page 1

Category Description	1/1/02- 2/12/03
<b>INFLOWS</b>	
Carnival Concession:	
Beverage	17,888.99
Casino	247,300.00
Food Concession	9,119.00
Games	60,859.91
Other	5,950.00
Carnival Concession-Other	188,217.00
<b>TOTAL Carnival Concession</b>	529,334.90
Concession	0.00
Finance Charge	2.00
Interest Inc	380.70
Parade Entry Fee	1,477.00
Queens Entry:	
Program Booklet	300.00
Queens Entry-Other	2,071.00
<b>TOTAL Queens Entry</b>	2,371.00
Raffle Committee	56,979.00
Uncategorized Inflows	118,393.65
<b>TOTAL INFLOWS</b>	708,938.25
<b>OUTFLOWS</b>	
Ads:	
Press Conference	347.46
Ads-Other	2,344.00
<b>TOTAL Ads</b>	2,691.46
Bank Charge	67.79
Carnival Grounds:	
Cleaning Service	17,750.00
Carnival Grounds-Other	197,393.46
<b>TOTAL Carnival Grounds</b>	215,143.46
Charity:	
People Helping People	0.00
<b>TOTAL Charity</b>	0.00
Entertainment:	
Fireworks	31,200.00
Entertainment-Other	90,035.60
<b>TOTAL Entertainment</b>	121,235.60
Grand Marshall & VIP	29,249.94
Legal-Prof Fees	5,000.00
Meals & Entertain	835.00
Misc	-2,607.68
Parade Committee	5,297.00
Postage and Delivery	120.00
Printing and Reproduction:	
Raffle Tickets	4,000.00
Printing and Reproduction-Other	2,995.00
<b>TOTAL Printing and Reproduction</b>	6,995.00
Prizes	34,538.00
Queens Committee:	
Prizes	4,250.00
Queens Committee-Other	57,652.44



**Cash Flow Report**  
1/1/02 Through 2/12/03

2/12/03



Page 2

<b>Category Description</b>	<b>1/1/02- 2/12/03</b>
<b>TOTAL Queens Committee</b>	<b>61,902.44</b>
Returns	109.00
Utilities:	
Gas & Electric	94,952.10
Water	2,716.48
Utilities-Other	69,952.44
<b>TOTAL Utilities</b>	<b>167,621.02</b>
<b>TOTAL OUTFLOWS</b>	<b>648,198.03</b>
<b>OVERALL TOTAL</b>	<b>60,740.22</b>



## Appendix Q: Copy of People Helping People Financial Statements

2000 Financial Statement filed with the Department of Revenue and Taxation




**People Helping People**  
A Non-profit Corporation  
"...dedicated to helping those in need of off-island medical treatment and bettering our community"

**PEOPLE HELPING PEOPLE**  
**Financial Statement for Calendar Year 2000**


<b>INCOME</b>	
Liberation Festivities	\$175,000.00
Other donations	\$54,847.06
<b>TOTAL INCOME</b>	<b>\$229,847.06</b>
<b>EXPENSES</b>	
Administration	\$5,847.62
Cargo	\$2,185.10
Disaster Relief	\$0.00
Fire Victims	\$9,100.00
Humanitarian	\$2,628.91
Medical	\$164,176.10
Seasonal Projects	\$19,802.35
<b>TOTAL EXPENSES</b>	<b>\$203,740.08</b>
<b>BALANCE</b>	<b>\$26,106.98</b>

I certify that the above financial information is accurate, and made to the best of my knowledge.

  
Juan J. Taitano  
PHP's duly authorized representative

Date: February 14, 2002

First Lady Geri T. Gutierrez, Chairperson



P.O. Box 5791, Hagåtña, Guam • 96932 • Phone: 472-6456





## **People Helping People**

*A Non-profit Corporation*

*"...dedicated to helping those in need of off-island medical treatment and bettering our community."*

### **PEOPLE HELPING PEOPLE Financial Statement for Calendar Year 2001**

#### **INCOME**

Liberation Festivities	\$200,050.00
Other donations	\$59,496.20
<b>TOTAL INCOME</b>	<b>\$259,546.20</b>

#### **EXPENSES**

Administration	\$3,633.40
Cargo	\$2,745.29
Disaster Relief	\$4,395.42
Fire Victims	\$10,600.00
Humanitarian	\$39,747.90
Medical	\$185,119.33
Seasonal Projects	\$25,146.81
<b>TOTAL EXPENSES</b>	<b>\$271,388.15</b>

**BALANCE** **(\$11,841.95)**

I certify that the above financial information is accurate, and made to the best of my knowledge.

**Juan J. Taitano**  
PHP's duly authorized representative

**Date: February 14, 2002**

**First Lady Geri T. Gutierrez, Chairperson**



**P.O. Box 5791, Hagåtña, Guam • 96932 • Phone: 472-6456**