



## **EXECUTIVE SUMMARY**

OPA Report No. 02-06 November 2002

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**Guam International Airport Authority  
Investigative Report on Travel and Credit Card Use  
July 1, 1999 through June 30, 2001**

Following the release of the OPA report on credit card abuse at the Guam Mass Transit Authority in July 2001, the Public Auditor received a request from Speaker Antonio R. Unpingco to perform investigative work at other Government of Guam agencies that utilize credit cards, including the Guam International Airport Authority. The Office of the Public Auditor also received a series of Hotline tips regarding travel, credit card use and Lost & Found items at GIAA. The OPA initiated an investigation into the credit card activity and travel expenditures at the Airport as well as other issues that were raised through the Hotline.

### **Summary of Findings**

- 1) We were provided 320 travel authorizations covering 120 different individuals during the 24 months from July 1, 1999, through June 30, 2001. The total cost of travel (including credit card expenditures) incurred by the Airport during the period was \$1,052,787. The Executive Manager was off-island for 214 days during the 24-month period. The Chairman of the Board traveled 73 days, another Board Member traveled 79 days, the Acting Chief of Police 100 days. The Airport paid for non-airport employees such as the Governor of Guam for 136 days, the Governor's Bodyguard for 117 days and the First Lady of Guam 74 days. Others who traveled were the Controller, Special Assistant to the Executive Manager, Word Processing Secretary, Administrative Assistant, Driver Operator, Accountants, Special Projects Coordinator, Messenger Clerk, Governor's Spokesperson, and private citizens who were members of the Airport Business Development Council.
- 2) In December 1999, the Governor of Guam approved a Memorandum of Understanding, which authorized the Executive Manager to approve off-island travel requests for all GIAA employees up to, and including himself. The memorandum was stamped "CONFIDENTIAL" in four different places and contained the handwritten notation: "Note: need to know basis." The Memorandum effectively removed the GIAA Board from the authorization process for travel of the Executive Manager. After the removal of the Board from the review process, travel related expenditures increased dramatically from \$97,382 in FY99 to \$443,363 in FY00 to \$691,799 in FY01. After only spending \$28,352 in the last three months of FY 1999, the GIAA spent \$1,024,435 in the 21 months that ended June 30, 2001. This was an average of \$48,786 a month during the 21 months.
- 3) In May 2000, the GIAA Board of Directors amended the GIAA travel policy to allow travelers the option of receiving 50% of their per diem rate and have the

Airport pay for hotel costs directly. In many instances in which this option was utilized, Airport personnel were provided with an additional check charged as a Miscellaneous Allowance for the purpose of providing funds to pay for hotel charges or entertainment costs.

- 4) Our investigation disclosed instances in which the Executive Manager received 50% of his per diem rate, a miscellaneous allowance, and charged his credit card for food and meal related items, which effectively accumulated to per diem rates as high as \$652 per day. In one 12-day trip, the Executive Manager received 50% per diem of \$2,250, miscellaneous allowance of \$3,101 and had credit card charges of \$1,496 for a total of \$6,847. This equates to over \$570 per day for meals, lodging and entertainment. In four other trips of the Executive Manager, he traveled a total of 71 days. These four trips cost the Airport a total of \$56,796. Airfare was \$19,524, 50% per diem given to the Manager was \$13,562, miscellaneous allowances totaled \$11,101, credit card charges were \$11,163 and one hotel stay paid directly by GIAA cost \$1,345. This equates to \$37,171 for meals, lodging and entertainment or \$524 a day. Of the 27 travel authorizations, he traveled first class or business class 11 times.
- 5) Of the \$91,272 in credit card charges, \$39,342 were supported only by a copy of the credit card receipt and did not include any details of the items purchased or explanation of the business purpose justifying the expenditure. This is a practice that GIAA's CPA firm approved but which we deem insufficient for the expenditure of public funds. In addition, the Executive Manager had \$10,900 in undocumented charges, the Deputy Executive Manager had \$14,390 in undocumented charges and the Chairman of the Board \$3,370.
- 6) In categorizing the credit card charges, \$42,418 were for meals and entertainment of which \$28,625 was charged by the Executive Manager, \$10,539 by the Deputy Executive Manager and \$3,253 by the Chairman. In the supporting documentation, \$9,310 was incurred for meals purchased for Airport employees; \$4,551 was incurred for meals purchased for Airport staff with other Government of Guam officials, \$16,627 was incurred for meals purchased with non-government officials. There were \$1,994 of charges that had no receipts and another \$9,936 of restaurant charges that had no mention as to who was in attendance. The credit card statements of the Executive Manager indicate that he charged an average of \$740 per month for meals purchased at Guam restaurants even while traveling 214 days during the 24-month audit period.
- 7) In analyzing the credit card charges of the Executive Manager we found credit card transactions to RoJAC for \$1,214. RoJAC is doing business as "Club Paradise," a topless men's club featuring stage and lap dancing in Las Vegas, Nevada. An independent investigator reported, "The appropriateness of these charges paid for with government funds is **highly questionable**. The Executive Manager's claim that the charges were for 'a dinner show' for gaining support of Guam's aviation objectives would seem to be far fetched. I would hardly classify the entertainment as 'a dinner show.'"

- 8) The Executive Manager incurred at least seven charges amounting to \$3,824 at Club Yeobo, a “hostess” bar on Guam. We found no justification for these charges. He responded: “This is a bar where, on separate occasions, I entertained officials from Japan Airlines and Asiana Airlines and discussed airport business consistent with Asian business practices.”
- 9) In analyzing the credit card charges of the Deputy Executive Manager we determined that \$11,544 were either unsupported or personal in nature. Some of the charges included LH Micronesia Mall \$649, Pearlridge Gold Mart \$1,610, Continental Airlines for two relatives \$2,785, Paradise Fitness \$600. The Executive Manager did cancel the Deputy Executive Manager’s credit card and he paid back \$8,078. However we have determined that there is still a balance due of \$3,465. Shortly after we initiated our investigation in August 2001, the Deputy Executive Manager resigned.
- 10) The GIAA travel policy required that the Board review travel costs incurred by the Airport on a quarterly basis, however, we found no evidence that such reviews had been performed. Additionally, the Board was aware that the Executive Manager had a GIAA credit card, however, there was no evidence that the Board ever reviewed the credit card charges incurred by the Executive Manager.

## **Overall Conclusion**

The findings in this report indicate a breakdown of internal controls at the Airport over travel and credit card expenditures. Although many people were in a position to know that abuses were taking place at the Airport with respect to travel and credit card use, and as indicated by the number of Hotline tips we received, we found no evidence that anyone questioned the authority of the Executive Manager to incur apparently excessive travel, travel related costs and credit card charges. Nearly all of the Board of Directors and key employees, who were in a position to know of the evidence that indicates abuses and whose responsibility it was to ask questions and scrutinize transactions were also allowed to participate in off-island travel and in some cases, were allowed to accompany the Executive Manager. This creates the appearance that a large number of people were responsible for the breakdown of controls at the Airport and failed to meet their responsibilities and obligations to the Authority and to the people of Guam by allowing the Executive Manager to incur apparently excessive travel costs and credit card charges without any checks and balances.

Guam law requires Directors and Employees to discharge their duties “solely in the interest of the people of the territory of Guam” and to exercise the care, skill, prudence, and diligence that a prudent person would use. The findings in this report indicate that the GIAA Board of Directors, the Executive Manager and management failed to meet this standard.

## **Major Recommendations**

- The GIAA Board abolish the use of all credit cards

- The Board immediately cease to rely on the exemption granted to the GIAA from Executive Order 95-01 and reassert its fiduciary responsibility to oversee travel expenditures of the Executive Manager.
- The Board institute a policy requiring detailed receipts as appropriate documentation for all Airport expenditures.
- The Board enforce the policy requiring maintenance of a travel calendar as a reporting mechanism to the Board of the travel that is being paid for by the GIAA.
- The Guam Legislature enact legislation prohibiting the use of credit cards at all Government of Guam departments and agencies including all autonomous and semi autonomous agencies such as the Guam Economic Development Authority and the Guam Visitors Bureau.
- The Guam Legislature enact legislation establishing a uniform travel policy throughout the Government of Guam including all autonomous and semi-autonomous agencies.
- Per diem rates have not been adjusted in over a decade. The Guam Legislature review the adequacy of per diem rates in view of present cost of travel.
- The Attorney General review the credit card charges of both the Executive Manager and Deputy Executive Manager to determine if such expenditures warrant legal action.

## **GIAA Responses**

We provided a series of questions to the GIAA Chairman and one other Board Member, the Executive Manager and the Controller in order to allow them an opportunity to respond to the findings in this report. In general their responses indicate that the Chairman, the Executive Manager and the Controller stated that the travel costs and credit card charges were all in support of the GIAA mission and properly documented.



Doris Flores Brooks, CPA  
Public Auditor