



Introduction

The Office of the Public Auditor (OPA) received a tip on its HOTLINE (47-AUDIT) alleging that certain employees at the Guam Mass Transit Authority (GMTA) were using GMTA credit cards for personal purposes.

Jurisdiction to Investigate

The Public Auditor has the authority to conduct surprise/unannounced audits of any government of Guam agency at the Public Auditor's discretion, and all agencies are required to surrender such records as are determined necessary by the Public Auditor for the conduct of the surprise/unannounced audits. 1 GCA 1919. Agency is defined to mean "government of Guam line agencies; autonomous or semi-autonomous, (sic) boards, bureaus and commissions." 1 GCA 1917.

Background of GMTA

Public Law 15-92 created the Guam Mass Transit Authority for the purpose of establishing, developing, promoting, and/or operating public transportation systems on Guam. The Authority was given certain other ancillary responsibilities as well. The Authority is a semi-autonomous agency within the government of Guam and is overseen by a five-member Board of Directors. It is funded approximately 90 per cent by local appropriations derived from a dedicated 4-cent-a-gallon tax imposed on diesel fuel and approximately 10 per cent by federal contributions.

Based on the audited financial statements of GMTA as of September 30, 2000, the Authority received General Fund appropriations from the Government of Guam of \$3,406,244 and \$424,385 from the Federal Government for fiscal year 2000.

Objective

The objective of our investigation was to gather and analyze evidence to form a conclusion as to whether the evidence supports or does not support the allegations. The specific allegations included:

- Allegation #1:** The General Manager used a GMTA credit card for personal purchases.
- Allegation #2:** The Assistant General Manager used a GMTA credit card for personal purchases.
- Allegation #3:** GMTA credit cards have been used for unauthorized travel related purchases and other personal use.

During the investigation other concerns came to our attention. These concerns are also addressed in this report and include the following:

- Concern #1:** Standard operating procedures for the use of the GMTA credit cards were not adequately designed.
- Concern #2:** A \$10,000 cash advance was provided to the General Manager from the GMTA bank account.
- Concern #3:** Credit card purchases were used to circumvent procurement regulations.
- Concern #4:** Additional credit card purchases were made without sufficient supporting documentation.
- Concern #5:** Credit card invoices were not timely paid, resulting in unnecessary finance charges.

Scope and Methodology

The scope of the investigation was limited to credit card practices and charges within GMTA for the 18-month period from October 1, 1999, through March 31, 2001. GMTA acknowledged that during that time credit cards were issued to the General Manager, the Assistant General Manager and a Planner IV.

The methodology used was to examine all credit card charges and payments incurred by all three credit card users during the eighteen month period and to make a determination as to whether or not the evidence gathered supported the allegations and indicated possible noncompliance with government laws, regulations and policies.

Overall Conclusion

The evidence supports the original allegations brought to our attention by the OPA HOTLINE tip that persons within the GMTA were using the GMTA credit cards for personal purposes. In addition, evidence supports each of the other concerns that came to our attention during the investigation.

Specific Findings and Conclusions

Allegation #1: The General Manager used a GMTA credit card for personal purchases.

Criteria: Effective internal controls require sufficient documentation be maintained for all expenditures. Minimum internal control procedures over expenditures for meals would include the receipt or invoice, a listing of persons attending the meeting, and a summary of the business purpose of the meeting.

The Attorney General has issued an Opinion (#95-1340 October 13, 1995), which examines the legality of utilizing government funds for the purchase of food and meal-related items. The Opinion references a test used to determine if government expenditures are legally allowable. The test is to determine whether as a result of the expenditure there is a direct benefit to a significant part of the public. If the test is met, the expenditure of government funds for the purchase of food items is likely allowable.

A general ethical standard is imposed on all employees by 5 GCA § 5626. It provides that “any attempt to realize personal gain through public employment by conduct inconsistent with the proper discharge of the employee’s duties is a breach of a public trust.”¹

Specific Findings: We noted that during the 18-month period the General Manager made 68 credit card charges totaling \$4,280.44 at various restaurants. These charges do not appear to be related to any Travel Authorizations (TA). Of these 68 charges, 53 charges amounting to \$3,511.30 appear to be from restaurants located on Guam and three other charges appear to be unsupported non-restaurant charges amounting to \$62.98. The supporting documentation for these charges provided by the GMTA accounting staff consists primarily of the credit card statements. In nearly all instances, actual restaurant receipts or any

¹ The specific ethical standards addressed in subsequent sections of the law are conflict of interest (5 GCA § 5628); employee disclosure requirement (5 GCA § 5629); gratuities and kickbacks (5 GCA § 5630); prohibition against contingent fees (5 GCA § 5631); restriction on employment of present and past government employees (5 GCA § 5632); and use of confidential information (5 GCA § 5633).

other documentation supporting the purpose, business nature, and persons in attendance were not made available to us during our investigation.

A listing of the charges is as follows:

Restaurant charges

1.	11/23/99 Guam Plaza Hotel	\$ 79.50
2.	12/23/99 Torre Blanca	643.34
3.	12/23/99 La Cantina	240.35
4.	07/10/00 Shanghai Restaurant	46.00
5.	07/24/00 Shanghai Restaurant	35.00
6.	08/17/00 Taiwan Cuisine	24.75
7.	08/15/00 Shanghai Restaurant	30.00
8.	08/28/00 Pampaguena Restaurant	31.90
9.	08/29/00 Marty's Restaurant	33.00
10.	08/31/00 Oriental Restaurant	67.50
11.	09/06/00 Capricciosa	56.16
12.	09/12/00 Sherwood Resort	98.90
13.	10/13/00 Joinus Restaurant	152.40
14.	10/17/00 Yuan San Restaurant	32.54
15.	10/16/00 Shanghai Restaurant	33.25
16.	10/25/00 PIC Bistro	47.75
17.	10/30/00 Phuket Thai Restaurant	39.75
18.	11/06/00 Sam Choy	20.33
19.	11/24/00 Siam Cuisine Restaurant	39.00
20.	11/20/00 Oriental Restaurant	102.00
21.	11/29/00 Capricciosa	48.58
22.	12/01/00 Lone Star Steak House	26.24
23.	12/06/00 La Mirenda	23.65
24.	12/09/00 Shirley's Coffee Shop	46.00
25.	12/19/00 Pacific Lighthouse	50.00
26.	12/20/00 Hilton Hotel	46.28
27.	12/21/00 Hilton Hotel	66.40
28.	12/23/00 Phuket Thai's Restaurant	38.00
29.	01/05/01 PIC-Bistro	31.70
30.	01/02/01 Red Carpet Restaurant	25.50
31.	01/13/01 Chuan Fu Chinese Rest	136.00
32.	01/13/01 Le Tasi Bistro	82.05
33.	01/23/01 Golden Sea Restaurant	31.00
34.	01/23/01 Pampaguena Restaurant	33.90
35.	01/24/01 Red Carpet Restaurant	75.00
36.	01/24/01 Red Carpet Restaurant	11.25
37.	02/03/01 Capricciosa	66.22
38.	02/13/01 Siam Cuisine Restaurant	26.00
39.	02/21/01 Yuan San Restaurant	88.61

40. 02/25/01 Le Tasi Bistro	61.30
41. 02/23/01 Pampaguena Restaurant	41.55
42. 02/20/01 Shanghai Restaurant	68.75
43. 03/05/01 Ocean Bay Chinese Rest	67.40
44. 03/15/01 Capricciosa Restaurant	26.49
45. 03/16/01 Kawai Restaurant	56.00
46. 03/15/01 Pacific Lighthouse Rest	71.00
47. 03/16/01 Oriental Restaurant	23.00
48. 03/24/01 Shirley's Coffee Shop	17.60
49. 03/22/01 Pacific Lighthouse Rest	51.00
50. 03/24/01 Golden Sea Restaurant	14.50
51. 03/26/01 Capricciosa	124.91
52. 03/29/01 Marriot Hotels	50.00
53. 04/16/01 Yuan San Restaurant	<u>32.00</u>
Total restaurant charges	<u>\$3,511.30</u>

Other Charges

54. 02/23/01 Payless Supermarkets	22.58
55. 03/06/01 Cost-U-Less	20.00
56. 12/20/00 Photo Town	<u>20.40</u>
Subtotal other charges	<u>62.98</u>

Total charges \$ 3,574.28

In addition to the expenditures noted above, which were not adequately documented, we noted \$1,080.68 in additional charges on the credit card of the General Manager for which GMTA accounting staff was unable to provide documentation to support the expenditures.

A listing of the charges is as follows:

1. 10/28/99 Embassy Suites, Orlando	\$ 165.39
2. 12/29/99 Amer Pub Trans Assoc	525.00
3. 02/02/00 Dependable Hawaiian Ex	297.58
4. 08/17/00 Waikiki Beachcomber	<u>92.71</u>
Total Charges	<u>\$1,080.68</u>

For these four items evidence indicates the following: 1. Embassy Suites - no travel authorization; 2. American Public Transportation Association - conference the travel authorization was denied; 3. Dependable Hawaiian Express - no invoice; and 4. Waikiki Beachcomber - no travel authorization.

The GMTA accounting staff was not able to provide any documentation to support the business nature, persons in attendance and purpose of the above expenditures totaling \$3,574.28 and the \$1,080.68 for a total of \$4,654.96. The GMTA accounting staff was also unable to provide any other documentation that would support that these expenditures furthered the purpose and mission of GMTA. Nor was the GMTA accounting staff able to provide any other documentation that would satisfy the Attorney General's test that the expenditures provided a direct benefit to a significant part of the public.

The credit card statements and several individual time-of-purchase receipts showing the total amount charged but not the detail invoice of the purchases were the only documents provided to the OPA.

Conclusion: We have concluded that the evidence supports the allegation that the General Manager used the GMTA credit card for personal purchases.

Allegation #2: The Assistant General Manager used a GMTA credit card for personal purchases.

Specific Finding: On October 4, 2000, there was a charge of \$2,276.24 for a Micron Computer on the credit card account of the Assistant General Manager. GMTA accounting staff was unable to provide an invoice for the purchase of the computer. When our auditor requested confirmation of the existence of the computer, GMTA staff was unable to produce the computer.

Conclusion: We have concluded that the evidence supports the allegation that the GMTA credit card issued to the Assistant General Manager was used by him to purchase a computer for personal use.

Allegation #3: GMTA credit cards have been used for unauthorized travel-related purchases and other personal use.

Criteria: The GMTA has not established a distinct policy for travel, but follows the policy issued by the Department of Administration (DOA). The DOA policy requires that all travel be authorized in advance through the use of a Travel Authorization form.

The law for payment of travel expenses for government employees is set out in Chapter 23 of Title 5 of the Guam Code Annotated (GCA). Pertinent provisions of the law provide that:

- Per diem allowance means a daily flat rate of payment in lieu of actual lodging and meal expenses (5 GCA § 23101(b));
- Travel expenses means necessary expenses incidental to official government travel, excluding expenses for lodging and meals (5 GCA § 23101(c));
- If actual expenses for lodging, meals and travel expenses exceed the authorized per diem allowance, an employee may submit a documented statement of account within ten days following the return from official travel and be reimbursed the amount of actual expenses that were in excess of the advance per diem (5 GCA § 23104(c));
- If the employee does not submit a statement of account, then he shall submit an itinerary of his official travel within ten days of his return and he may not receive any money in excess of the advance per diem allowance (5 GCA § 23104(d)).

Finding #3.1: We were provided with a Travel Authorization (TA) for the Assistant General Manager to attend a conference in Portland, OR, August 14-16, 2000. The TA stated that the trip was 100 per cent federally funded.

We obtained a copy of the expenditure report of charges to federal funds for the time during which the trip took place. This report is filed with the U.S. Department of Transportation. There was no entry showing that this travel was charged to federal funds.²

Per diem was authorized for eight days @ \$187.50 or \$1,500.00. We noted that the amount of per diem given was \$1,562.50 via check #7063 dated August 9, 2000, instead of \$1,500.00. The authorized airfare of \$1,895.36 was paid via check #6437 dated July 24, 2000.

The credit card statement for the period ending August 29, 2000 included two additional ticket purchases for airline passage to San Francisco in the amount of \$2,481.76. One of the charges appeared to be for a one-way ticket. GMTA was unable to provide a TA or other supporting documentation for either of these ticket purchases. There was no evidence that these airline tickets were purchased for use by any other employee or director of GMTA.

² At the time, Governor Gutierrez had ordered via Governor's Directive No. 99-012 that local funds not be expended for nonessential travel. Given that no federal funds were expended to pay for the trip, it must be assumed that local funds were expended in contravention of the Governor's order.

The statement also reflected three different line items of hotel charges with a common transaction date – August 18, 2000. They included a charge for \$1,335.00 from the Hotel Reservation Network, \$704.67 from Hilton Hotels in Portland, OR, and a \$186.28 charge from the Days Inn Lombard in San Francisco, CA.

Summary of Costs

08/09/00	Per diem check from GMTA	\$ 1,562.50
07/24/01	Airfare paid by GMTA check	1,895.36
07/24/00	Continental ticket paid by credit card	822.40
07/24/00	Continental ticket paid by credit card	1,659.36
08/18/00	Hotel Reservation Network	1,335.00
08/18/00	Hilton Hotels – Portland	704.67
08/18/00	Days Inn - San Francisco	<u>186.28</u>
Total Cost		\$ <u>8,165.57</u>

Additionally, the following charges appeared on the August 29, 2000, and September 29, 2000, credit card statements of GMTA:

1.	08/20/00	Office Depot	\$ 189.77
2.	08/21/00	The GAP	112.30
3.	08/22/00	Old Navy	233.82
4.	08/24/00	Mervyns	99.60
5.	08/24/00	Macy's West	73.78
6.	08/24/00	Office Depot	47.69
7.	08/25/00	Toraya Sushi & Grill	59.73
8.	08/26/00	London Fog	43.29
9.	08/26/00	Two Lips	162.34
10.	08/26/00	Bass Apparel	134.18
11.	08/26/00	The Fragrance Outlet	30.26
12.	08/27/00	Radisson Hotel	26.16
13.	08/27/00	Red Lobster	105.20
14.	08/26/00	Samsonite	166.48
15.	08/28/00	Old Navy	78.65
16.	08/28/00	Lenscrafters	324.93
17.	08/28/00	Lenscrafters	214.98
18.	08/28/00	Miry Westminster	56.03
19.	08/30/00	JC Penney	156.23
20.	08/31/00	Chili's Restaurant Waipahu HI	117.41
21.	09/03/00	Dollar Rent-a-Car Honolulu HI	<u>142.00</u>

Total Charges	\$ <u>2,574.83</u>
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Total Cost and Charges	<u>\$10,740.40</u>
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Less: Approved Charges

Airfare	1,895.36
Per diem for 5 days @ \$187.50	<u>937.50³</u>
Total allowable per diem and travel	<u>\$ 2,832.86</u>

Expenses incurred in excess of allowable travel \$ 7,907.54

As required under 5 GCA § 23104(d), cited above, we were not provided an itinerary or trip report of the Assistant General Manager's official travel. There is no documentation to substantiate the Assistant General Manager's presence at the conference. Further there is no justification to support why per diem should be for eight days instead of five days. See footnote 3.

The GMTA accounting staff was not able to provide any documentation for the charges of \$7,907.54 or the travel report of the Assistant General Manager.

Other Charges:

On December 28, 2000 there was a charge of \$100.50 to Alupang Beach Tower charged on the credit card of the Assistant General Manager. The restaurant receipt indicates 9 buffet lunches. There was no documentation to indicate business purpose and persons in attendance.

Conclusion: We have concluded that the evidence supports the allegation that the Assistant General Manager used the GMTA credit card for unauthorized personal travel expenditures.

Finding #3.2: There was a Travel Authorization (TA) dated July 19, 2000 for the General Manager to attend a five-day conference in San Francisco. The TA provided for 12 days of per diem @ \$218.75 per day or \$2,625.00. The month prior to the trip, a hotel charge of \$1,120 was charged to the account. The remaining per diem amount of \$1,505 was paid to the General Manager in advance with check #7204 dated September 19, 2000.

A summary of these charges is as follows:

³The travel authorization for the Assistant General Manager provided for eight days of per diem. The conference was from August 14-16, a total of three days. Allowing for one day to travel to and one day to travel from the conference, the per diem should have been for five days, not eight days. There is no documentation to substantiate why eight days of per diem should be authorized instead of five days.

Per diem check paid to general manager	\$ 1,505.00
Hotel Charges	<u>1,120.00</u>
Total per diem requested (12 days per diem @ \$218.75)	<u>\$ 2,625.00</u> ⁴

The following is a breakdown of additional credit card charges incurred, which appear to be related to this trip:

1. 09/21/00	Marriot Hotel	\$ 62.87
2. 09/24/00	Sushi Boat Restaurant	31.07
3. 09/22/00	Ruth's Chris Steakhouse	108.70
4. 09/25/00	Smarte Carte	2.00
5. 09/23/00	John S Grill	29.15
6. 09/25/00	Puccini & Pinetti Bar	34.85
7. 09/26/00	Kantaro Sushi	76.40
8. 09/28/00	Ichiraku Japanese Restaurant	26.90
9. 09/28/00	Vista Hotel Management	72.53
10. 10/07/00	Pikake Terrace	35.19
11. 10/07/00	Sansei Seafood Restaurant	133.43
12. 10/09/00	Royal Steak-Seafood	49.08
13. 10/17/00	Smarte Carte	2.00
14. 10/10/00	Waikiki Beachcomber	<u>355.59</u>
Total credit card charges		<u>\$ 1,019.76</u>
Total travel charges		<u>\$ 3,644.76</u>
Less: Allowable travel per diem of 7 days @ \$218.75		<u>\$ 1,531.25</u>
Excessive travel charges		<u>\$ 2,113.51</u>

The GMTA accounting staff was not able to provide any documentation, itemization, or statement of account in support of the additional charges of \$2,113.51 incurred by the General Manager. We were unable to locate any other documentation to substantiate why the General Manager should have been allowed to use the credit card to charge sums in excess of the allowable per diem of \$1,531.25 for seven days instead of twelve days.

⁴The travel authorization for the General Manager provided for twelve days of per diem. The conference was five days in length. Allowing for one-day travel to and one-day travel from the conference, the per diem should have been for seven days at \$1,531.25 and not twelve days at \$2,625.00. There was no documentation to indicate per diem should be allowed for twelve days.

The General Manager submitted a request for reimbursement of \$230.00 for out-of-pocket expenses due to excess baggage charges incurred and was reimbursed for that amount (see **Concern #2**). While 5 GCA § 23104(c) does permit an employee to be reimbursed for authorized travel expenses in excess of per diem, 5 GCA § 23104(d) prohibits the excess payment "if the employee does not submit a statement of account." The \$2,113.51 was not included on the statement of account.

Claims for travel expenses should be sufficiently itemized and supported by original paid bills which document the services provided and substantiate that expenses claimed were actually made, that expenses were necessary for the government travel, and that individual expenses were in amounts no greater than necessary and incurred only for authorized expenses.

Conclusion: We have concluded that the evidence gathered supports the allegation that the General Manager used the GMTA credit card for unauthorized travel-related purchases.

Concern #1: Standard operating procedures for the use of GMTA credit cards were not adequately designed.

Finding: At the initiation of our investigation, we requested a copy of standard operating policies and procedures that govern the use of credit cards at GMTA. We were provided with two resolutions by the Board of Directors authorizing the use of credit cards for three employees: the General Manager, the Assistant General Manager, and the Planner IV. The resolutions did not contain procedures or guidelines for credit card use.

Effective internal control over credit card use would include documentation requirements, payment procedures, allowable limits, use for government purposes only, and other appropriate safeguards to ensure government funds are used appropriately and in compliance with laws and regulations. Without such procedures to govern the use of credit cards, abuses and unauthorized expenditures can occur.

Concern #2: A \$10,000 cash advance was provided to the General Manager from the GMTA bank account.

Finding: During our investigation, we noted an instance where a letter dated September 28, 2000, and signed by the Acting General Manager (the Assistant General Manager serving in the absence of the General Manager) had been provided to a bank in San Francisco. The letter authorized the withdrawal of \$10,000 from the GMTA bank account to the General Manager in the form of travelers' checks. At the time the General Manager was attending a meeting in San Francisco. The \$10,000 cash advance was apparently made so that the General Manager would be able to buy various computer equipment. There is a maximum \$10,000 credit limit on the GMTA credit card. The GMTA credit card was nearing its maximum credit limit.

The documentation indicated that most of the \$10,000 in travelers' checks was used to purchase the following equipment:

TARG CLN5 LEATHER	\$ 99.99
TARG CLN5 LEATHER	99.99
3COM PALM V SLIM L	24.99
SONY XG29 PIII 750	2,799.97
VIK 128 M SONY VAIO	249.99
MS WIN 2000 WKST P	199.99
IOME PCMCIA CABLE	39.95
SONY MVCFD95 CAME	999.97
VIK 128M SONY VAIO	249.99
IOME 250MB USB ZIP	179.99
SONY XG29 PIII 750	2,799.97
MEMORY/PROCESSOR U	29.97
MEMORY/PROCESSOR U	29.97
TAX	638.94
MS OFF 2000 PRO UP	329.99
TAX	<u>27.22</u>
Total	<u>\$ 8,800.88</u>

The documentation provided did not account for the remaining \$1,199.12 (\$10,000 minus \$8,800.88). GMTA accounting staff indicated to us that the balance of \$1,199.12 was brought to the attention of the Board of Directors by the independent auditors Deloitte Touche Tohmatsu. The Board of Directors took action sometime in the third quarter of FY 2001. The Board in turn instructed that a payroll deduction be initiated. A payment of \$150 per payroll is being deducted from the General Manager's paycheck beginning with the pay period ending June 2, 2001. The minutes of the Board of Directors meeting do not reflect this action. Nor is there any other documentation to support this action other than the payroll deduction.

The purchase of the above equipment of \$8,800.88 and the request for reimbursement of \$230.00 for excess baggage due to the purchase of these laptops (as stated in **Finding #3.2**) appears to be in conflict with Government of Guam procurement law and regulations. (See **Concern #3** for elaboration of procurement issues).

Cash Advances are highly unusual in government service. The travel law and regulations cited earlier permit a cash advance in the form of per diem for authorized government travel. We are unaware of any law or regulation that permits a government agency to give a cash advance to a government employee for the purchase of equipment or services. The cash advance of \$10,000 given to the General Manager may have been in violation of government rules and regulations.

Two signatures are required for checks written from the GMTA bank account. The three authorized signatories for the GMTA bank account are the General Manager, the Assistant General Manager and the Accounting Supervisor. Only one signatory signed the letter authorizing the withdrawal to the General Manager. The Bank allowed the withdrawal of \$10,000 without a second signature on the letter of authorization, although the General Manager is an authorized signatory.

A customary feature of internal control is segregation of duties among key employees. Checks and balances are needed. To protect against loss, disbursement documents must be reviewed and approved by someone other than the person handling the public funds or receiving the public funds. A recipient of funds should not be a co-signer of a disbursement to the recipient.

To ensure appropriate oversight, the Chairman of the Board of Directors of the GMTA or his designee should review the travel expenditures and other credit card charges of the General Manager. The Accounting Supervisor should routinely submit the General Manager's expenditure reports for independent review and approval by the Board.

Concern #3: Credit card purchases were used to circumvent procurement regulations.

Finding: In summary, Government of Guam procurement regulations require that purchases between \$250 and \$500 be supported by three telephonic quotes from vendors. Purchases between \$500 and \$15,000 must be supported by at least three written quotations from vendors. Additionally, the regulations include a local vendor preference. The regulations require that purchases of all supplies and services be made from a local business unless the landed cost of supplies

and services from off-island vendors is less than 85 per cent of the cost from the lowest local bidder. During our investigation, we noted that the following equipment had been purchased from off-island vendors with credit cards and cash advances:

CompUSA – 2 Sony Laptops and other items	\$ 8,800.88	(See Concern #2)
Pacific Detroit Diesel - Alternator	2,149.67	
Micron Commercial - Computer	2,276.24	(See Allegation #2)
Comp USA – 2 VAIO Laptop	4,020.67	
Cosmo Enterprise - DVD tapes	676.00	(See Concern #4)
Fox Office Products - 100 MB ZIP drive and disk	588.66	
Circuit City - Palm Vx	442.68	
Matt's transmission - Converter in Bus # 3179	318.24	
Comp USA - Voice recorder	<u>239.57</u>	
Total	<u>\$19,512.61</u>	

GMTA accounting staff was unable to provide us with any procurement files to document that procurement procedures had been followed with regard to these equipment purchases. We were, however, able to verify the existence of all the items identified above except for the purchase of the Micron Commercial computer.

As noted in **Allegation #2**, the GMTA accounting staff was unable to provide us with a copy of an invoice from Micron Commercial and we were unable to verify the existence of the item, which had been charged on the credit card of the Assistant General Manager.

Concern #4: Additional credit card purchases were made without sufficient supporting documentation.

On April 16, 2001 there was a charge of \$676.00 from Cosmo Enterprises on the credit card issued to the Planner IV. There was no supporting invoice for the \$676.00. The Planner IV stated to us that he submitted all invoices upon the return of his travel. He also stated that the Accounting Supervisor cleared him. The GMTA accounting staff, however, was unable to produce additional invoices in support of the \$676.00.

It is the responsibility of the Accounting Supervisor to ensure that all credit card charges are properly and appropriately documented. An independent review of all credit card charges of the Planner IV by the General Manager could have

noted the discrepancy. Had there been an independent check performed by the Accounting Supervisor and the General Manager, sufficient documentation may have been produced.

On April 26, 2000 there was a charge of \$77.00 to the Hilton Hotel charged on the credit card of the Planner IV. The restaurant receipt had a notation that indicated Leadership Day. There was no other documentation to indicate persons in attendance or business purpose.

Concern #5: Credit card invoices were not timely paid, resulting in unnecessary finance charges.

Finding: Credit cards can be a convenience to expedite purchases. However, the convenience of using a credit card can be quickly diminished if the balance due on monthly credit card statements is not paid off in a timely manner.

During the period of the investigation, we noted that finance charges of \$283.63 (excluding the annual fee of \$87) were incurred as the result of late payment.

Recommendations

We recommend the Board of Directors of the GMTA immediately cancel the credit cards issued to the General Manager, the Assistant General Manager and the Planner IV.

We recommend that the Board of Directors evaluate whether credit cards are essential to the efficient operation of GMTA. If credit cards are determined to be essential, the Board of Directors should not allow credit cards to be used until standard operating policies and procedures have been developed and effectively implemented.

Whenever an agency embarks upon a new procedure, such as the use of credit cards, appropriate controls, procedures, checks and balances surrounding the use, documentation and payment of credit cards must be in place before the new

procedures are authorized. These procedures should include at a minimum, the level of documentation required for purchases made with the credit cards, review procedures that ensure all payments will be made on a timely basis, the approval process to be required prior to payment and a prohibition against using the credit cards for personal purposes.

Further all charges incurred on credit cards should be supported by invoices or paid receipts. Invoices or receipts are necessary to provide a description and itemization of charges and to substantiate that payments are for valid and proper purpose.

We recommend that management ensure that additional training is provided for accounting personnel with regards to procurement rules, regulations and requirements, the proper documentation required to support expenditures of government funds, alternative procedures that can be performed to confirm an expense in lieu of adequate documentation, and proper responses when an accountant believes sufficient documentation cannot be obtained.

We recommend that the Board of Directors take appropriate action to recover from the General Manager and the Assistant General Manager all GMTA money expended by them without authorization.

We recommend the Board of Directors determine whether any disciplinary personnel action is required against any person affected by this report.⁵

We recommend that the Office of the Attorney General and other cognizant legal authorities review the report to determine whether any of the allegations and related evidence constitutes violations of law.⁶

Limitations of Report

⁵ Subsequent to the completion of our investigation of GMTA on July 9, 2001, but prior to the distribution of this report July 23, 2001, the General Manager and Assistant General Manager resigned their positions with GMTA.

⁶ On the basis of the OPA's consultation with its legal counsel, we believe that the following local criminal statutes may be implicated by the alleged activities of the General Manager and the Assistant General Manager: 9 GCA § 43.20 (theft); 9 GCA § 46.10 (forgery); 9 GCA § 46.35 (fraudulent use of credit cards); 9 GCA § 46.80 (impersonation; identity theft); 9 GCA § 49.90 (official misconduct); and 9 GCA § 55.45 (obstructing government functions). Because of the use of credit cards involves the use of telecommunications, a federal statute that may warrant review is 18 USC § 1343 (wire fraud).

We did not perform an audit, the objective of which would be the expression of an opinion of the financial statements of the Guam Mass Transit Authority or any aspect thereof. Accordingly, we do not express such an opinion.

The period of our investigation was an 18-month period from October 1, 1999 thru March 31, 2001. The use of credit cards at GMTA began in the spring of 1996 and continues through the date of this report.

This report does not provide conclusions involving legal determinations. This report contains only conclusions based on documentation available for our review.

This report has been released to the cognizant legal authorities, the Governor, the Legislature, and selected law enforcement agencies. This report is a matter of public record and its distribution is not limited.

OFFICE OF THE PUBLIC AUDITOR,

DORIS FLORES BROOKS, CPA
Public Auditor

July 9, 2001