



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

Credit Card Charges and Related Travel Expenditures of the
Guam Housing and Urban Renewal Authority
Report No. 06-12, October 2006

The Office of the Public Auditor conducted an audit of the credit card charges and related travel expenditures of the Guam Housing and Urban Renewal Authority (GHURA). This audit was conducted as part of our ongoing review of all government of Guam credit card programs. During our review of GHURA's credit card program from fiscal years 2002 through 2005, we found no evidence credit cards were used inappropriately for charges such as personal purchases, cash advances, meals or business entertainment.

While there is an inherent risk of credit card misuse, GHURA mitigated the risk by allowing only two cardholders to make purchases, not allowing the credit cards to accompany travelers off-island, and implementing a credit card policy with restrictions on credit card purchases. This policy was approved by the Board of Commissioners (Board) and disseminated to GHURA's cardholders. We commend GHURA for their conscientious effort.

However, while we found that internal controls over credit card use were adequately designed, our findings revealed instances where such controls were not followed or properly placed in operation. Our audit disclosed that GHURA's management and Board did not provide adequate oversight over the implementation and use of credit cards. We found that GHURA did not:

- Maintain complete supporting documentation, such as receipts and/or invoices, for credit card transactions totaling \$40,124;
- Comply with procurement and travel regulations for the solicitation of airfare quotes related to credit card charges totaling \$56,930;
- Secure Board approval for *the use* of credit card purchases on 15 travel-related expenses totaling \$21,558, although *travel* was authorized by the Board;
- Have signed approval from the Controller for four payment vouchers totaling \$15,526;
- Obtain Board authorization prior to making credit card charges totaling \$6,985;
- Have the required travel expense reports for three travelers whose airfare expenses of \$4,677 were charged to the credit card;
- Review senior management and board members' per diem advances, which resulted in double compensation to travelers for per diem totaling \$4,634. The double payments for traveler's per diem expenses were subsequently reimbursed;
- Pay monthly credit card balances in a timely manner, resulting in the unnecessary finance charges totaling \$582;
- Utilize the purchase order process on credit card transactions when sufficient time existed; and

- Did not maintain complete records for credit card purchases and travel related expenses in a centralized location.

Based on our review of GHURA's credit card program, the use of credit cards is not needed. Management and oversight of GHURA's credit cards was not sufficient to ensure proper authorization, approval, and review of all credit card purchases. As a result, payments were processed without supporting travel documents and without the proper approval. Further, GHURA could not provide evidence that the use of the credit cards provided a cost-savings to the Authority; rather it appears the credit cards were used as a convenience for senior management and the Board's travel. GHURA's procurement through purchase orders are sufficient to process travel for employees, senior management and the Board; therefore, we recommend that GHURA eliminate the use of credit cards. This is consistent with the November 2002 newspaper article where governor-elect Felix Camacho stated "no government agency will be allowed to use government-paid credit cards during his administration".

Additionally, the OPA offers three other audit recommendations to improve GHURA's internal control structure:

- Adopt the Guam travel law regulations to include:
 - Recording all travel per diem allowances as receivables until all official documentation, such as boarding passes, official receipts for registration, accommodations, etc., are submitted and reviewed by the appropriate reviewing authority.
 - Utilizing the government of Guam's Travel Authorization form, to support all travel on behalf of the authority. The travel authorization will ensure that a division head approves all travel expenses and that funds are certified prior to granting authorization to travel.
- Restructure its approval process to establish specific review authority to eliminate the possibility of perfunctory approvals. The Board should provide a realistic span of control to ensure timely and thorough reviews of reports (payment vouchers, expense reports, etc).
- Comply with all government of Guam procurement procedures by obtaining three quotes for goods, services and travel expenses, and ensuring that written justification for vendor selection is maintained on file.

The GHURA Executive Director submitted an 8-page response disagreeing with the findings in the report; however, he agreed to three of four recommendations in the report. Recommendation 1 would be referred to the Board for their policy disposition. See Management Response and OPA Reply for details.



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