

**Guam Visitors Bureau
Credit Cards and Travel**

**Performance Audit
October 1, 2000 through September 30, 2004**

**OPA Report No. 06-14
November 2006**



OFFICE OF THE PUBLIC AUDITOR

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EXECUTIVE SUMMARY

Guam Visitors Bureau Credit Card and Travel
Report No. 06-14, November 2006

This report presents the results of our audit of the Guam Visitors Bureau (GVB) credit card program and travel for fiscal years 2001 through 2004 as part of our ongoing review of credit card programs government-wide.

We found that during FY 2001 through 2004, GVB operated under a control environment that provided only limited accountability over travel-related activities and credit card charges. Documentation and filing systems were unorganized and inconsistent making it difficult to audit. In addition, a number of travel programs were not adequately documented, reconciled, reviewed, and reported. We found that GVB's management failed to communicate policies for credit card use or to monitor activities for adherence to policies. As a result, policies were often misunderstood or ignored, and travelers were not held accountable.

Travel Activities

Based on our compilation and review of the travel authorization log, we determined that GVB issued 632 travel authorizations (TAs) for 235 persons for approximately 2,736 days of travel. Travel and associated costs are basic information that should be readily available for review and monitoring. The data could also be used to assess the effectiveness of travel programs. However, GVB's accounting department was unable to provide the total travel-related costs and 145, or 23%, of total TAs issued.

In our review of 37 travel programs/events, GVB could not provide information on 25 programs. The remaining 12 programs were not documented in accordance with the Travel Policy (i.e., approvals were not obtained; reporting requirements were not complied with; and travel expenditures were not adequately documented, reviewed, reconciled, and approved).

In our review of 272 TAs:

- GVB could not locate 65 TAs;
- 212 TAs, or 75%, did not have corresponding individual expense reports; and
- Of the 60 expense reports filed, 17 were inadequately documented and five did not have evidence of management review.

Credit Card Usage and Charges

We found that GVB management did not ensure that credit card charges were monitored, reviewed, and approved and resulted in charges that were unauthorized and in excess of allowable per diem.

From FY 2001 through 2004, GVB cardholders incurred \$386,636 in credit card transactions: \$35,702 local, \$335,707 off-island, \$8,118 unknown, and \$7,108 in various bank charges. In our review of 252 credit card charges totaling \$218,511, we found:

- \$138,403 in excess of allowable per diem amounts. GVB's arbitrary practice of allowing travelers to receive 50% of per diem, while expenses such as hotel, food, and incidentals,

which should have been covered by the per diem, were charged to the credit cards and is **not** in accordance with the Guam Travel Law (5 G.C.A. Chapter 23);

- \$38,882 was not reported in the expense reports, reconciled, reviewed, and approved, though for the most part, they appear to be legitimate business expenses;
- \$32,512 in unauthorized travel-related credit card charges made without approved TAs; and
- Inadequate documentation of entertainment activities charged to the credit cards.

In our review of 48 local credit card transactions totaling \$35,702, we found:

- All 48 charges had no evidence of prior management approval;
- 33 charges totaling \$25,917, had no evidence of competitive procurement;
- 42 charges totaling \$20,118, had no expense reports; and
- 12 charges totaling \$7,144 had no documentation (i.e., receipts, invoices) on file.

We also found:

- Inconsistencies in the compensation of performers and pageant winners who participated in overseas promotional events.
- The absence of a gift-exchange policy. Credit card charges totaling \$2,303 for excessive gift items made at various local retailers including a \$460 Gucci item and a \$220 Hermes item, which may be inappropriate uses of public funds.

We recommend:

1. Limit the use of credit cards to unforeseen expenditures and emergency situations during off-island marketing campaigns.
2. Modify existing travel-related policies to:
 - a. Record per diems as receivables until the traveler complies with all reporting and documentation requirements and the expense report has been reviewed and approved;
 - b. Require travelers to comply with Guam Travel Law and immediately discontinue the practice of advancing 50% of per diem allowances;
 - c. Ensure consistency as to the form of marketing reports; and
 - d. Restructure its review process, appoint specific reviewing authorities, and segregate duties to ensure an objective review process and realistic span of control.
3. Implement a centralized filing system to ensure that all documentation relevant to travel programs/activities are easily and readily accessible for review.
4. Develop an appropriate gift-giving policy for Board approval.
5. Establish and obtain Board approval of a uniform compensation system for performers.

We met with GVB officials on October 6, 2006 to discuss the draft report transmitted on October 2, 2006. On October 27, 2006, the General Manager requested an additional two weeks to provide additional documents after disagreeing with our findings.

Our findings did not change after our review of additional documents; however, the questioned cost has been adjusted by \$5,198 from \$250,530 to \$245,332. In his final response dated November 9, 2006, the General Manager generally concurred with the findings and recommendations in this report.



Doris Flores Brooks, CPA, CGFM
Public Auditor



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OFFICE OF THE PUBLIC AUDITOR

Introduction

This presents the results of our audit of the Guam Visitors Bureau (GVB) credit card program and travel activities for fiscal years 2001 through 2004. The audit was conducted as part of our ongoing review of credit card programs government-wide. Our audit objectives were to:

- Determine whether GVB’s travel-related activities and credit card charges were in accordance with applicable rules and regulations;
- Determine whether GVB’s travel-related activities and credit card charges were adequately recorded, documented, reconciled, and reviewed; and
- Report any other issues or questioned costs identified during the audit.

The scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.

Background

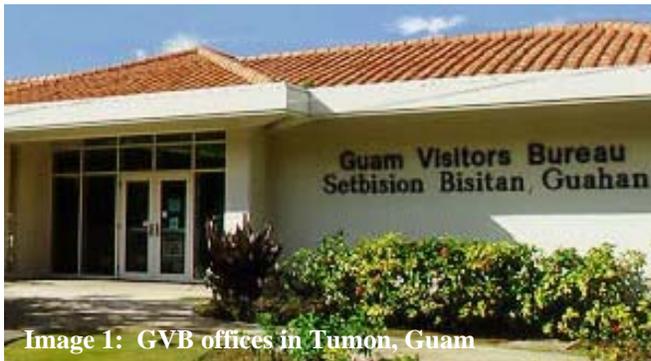


Image 1: GVB offices in Tumon, Guam

In 1970, Executive Order (EO) 70-24 established GVB,¹ a public, non-stock, non-profit, membership corporation to promote Guam’s visitor industry. GVB’s governance rests within a 12-member Board of Directors (Board).² The Board appoints a general manager who serves as the GVB chief administrative officer and “shall be primarily responsible for the maintenance, operation, development, and administration of the Bureau’s business affairs.”³

GVB operations are funded primarily through appropriations from the Tourist Attraction Fund (TAF),⁴ which derives its revenues from hotel occupancy taxes. Other revenue sources include grants-in-aid from the government of Guam, in-kind contributions, consumption tax refunds, and memberships. GVB’s appropriations were \$14.7 million, \$10.9 million, \$9 million, and \$7.5 million, for fiscal years 2001 through 2004, respectively.

¹ Authorized by Section 38003 of the Government Code of Guam.

² The 12-member Board is comprised of five individuals appointed by the Governor with the advice and consent of the Legislature (Appointed Directors), two appointed by the Speaker of the Legislature (Legislative Directors), and four selected by the GVB membership (Elected Directors). The 12th member of the Board is selected by the appointed and legislative directors, subject to the concurrence of eight directors.

³ 12 G.C.A. § 9108 (a).

⁴ The TAF is audited separately from GVB on an annual basis. The independent auditor’s reports can be viewed at www.guamopa.org.

GVB's mission is "[t]o grow and diversify visitor arrivals by creating reasons to visit, attracting visitors from various markets, and providing a destination experience second to none." To achieve its mission, GVB actively conducts overseas marketing campaigns to promote Guam, thus making travel an integral part of GVB's operations.

GVB is also mandated to promote local interest in the tourism industry, assist entities in the implementation of educational and training programs, promote local cultural activities, and assist in the enforcement of visitor industry laws and regulations. GVB's local campaigns include the annual Miss Guam Tourism Pageant.

Members of the Board, management, employees, and persons not employed by GVB,⁵ travel abroad on promotional trips and attend various conferences. Common destinations are Japan, Korea, Taiwan, and the United States, Guam's primary tourist markets. GVB's off-island projects to promote Guam include participation at the Japan Association of Travel Agents World Tourism Congress & Travel Fair; Korea World Trade Fair; Korea Wedding Exhibition; Taipei International Travel Fair; and Diving Equipment & Marketing Association Trade Show.

The high volume of foreign travel necessitated the establishment of the GVB credit card program in the early 1980s,⁶ as traveling with large sums of cash raised safety concerns among employees. Additionally, a former GVB General Manager stated that credit cards were meant to address the foreign exchange conversion factor, which makes it difficult to accurately project travel expenses.⁷ The credit cards also facilitate ease of payment for services of vendors (i.e., florists, electricians, etc.) who do not accept purchase orders (POs).

In FY 2001, GVB had 14 credit cards. As cardholders ceased employment with GVB, their credit cards were cancelled and replacement cards were not issued. As of FY 2004, GVB had nine credit cards issued to the Research Manager, a Cultural & Heritage Officer, the Marketing Manager, and six Marketing Officers. Previous cardholders included a former General Manager, and a former Deputy General Manager. The current General Manager and Deputy General Manager do not have government-issued credit cards.

GVB management has indicated that it is their policy for credit cards to be maintained by the accounting department and released to the cardholder only while on official travel status or when approved for on-island use. Upon completion of travel, the credit cards are returned to the accounting department.

In December 2004, Public Law 27-152 prohibited Government of Guam agencies, including GVB, to expend public funds for alcoholic beverages. In September 2005, Public Law 28-68 was passed exempting GVB from the prohibition.

⁵ Committee members, law-makers, and entertainment/cultural delegations.

⁶ GVB was unable to provide us with an actual date. The date is an approximation based on information provided by GVB personnel

⁷ GVB's credit cards are comparable to travel cards established to provide travelers with worldwide payment mechanism that is accepted worldwide for travel-related procurement to include transportation, meals, and lodging to eliminate or greatly reduce the need for cash advances and facilitate the collection of essential management data.

Results of Audit

Over the years, a culture of limited accountability over travel-related activities and credit card charges has permeated GVB. GVB's management failed to communicate policies or monitor activities for adherence. As a result, policies were often misunderstood or ignored, and travelers were not held accountable.

GVB's documentation and filing system is unorganized and inconsistent, which made it difficult to conduct our reviews. Travel-related documents were usually not maintained in a single location, but were dispersed among various departments. For example:

- Requests for and approvals of funding for a travel program, which should be contained in Board minutes, are maintained by the Board Secretary;
- Travel authorizations may be found in the TA binder, trip expense report binders, or both;
- Documentation for credit card purchases (i.e., receipts) can be found with the credit card statements or the trip expense reports;
- Both the accounting and marketing departments keep separate sets of files that may not be identical; and
- The travel log maintained by the Administrative Assistant is incomplete or do not reconcile with physical TA records.

Travel Activities

GVB's accounting department was unable to provide the total amount of travel-related costs. For fiscal years 2001 through 2004, 632 travel authorizations (TAs) were issued to 235 persons for approximately 2,736 days of travel. Of the 632 TAs, GVB could not account for approximately 23%, or 145 TAs. Travel and associated costs are basic information that should readily be available for review and monitoring.

GVB's Travel Policy is complicated and unclear. Further, management's lack of oversight and failure to enforce the provisions made its Travel Policy ineffective. The approval process was not followed, reporting requirements were not complied with, and travel expenditures were not authorized, reconciled, supported, reviewed, and approved. We judgmentally selected 37 travel programs/events consisting of 272 TAs and found:

- GVB could not provide information on 25 of the 37 programs/events and could not locate 65 of the 272 TAs selected for detailed audit review;
- Of the 12 programs/events which GVB was able to provide information on, five had no evidence of Board approval, and of the 7 approved, three were not timely approved;
- Of the same 12 programs/events, five did not have a marketing reports;
- All seven marketing reports provided for our review did not contain the elements required by the travel policy and five had no indication of management review;

- Of the 272 TAs selected for detailed audit review, 212 did not have corresponding individual expense reports; and
- Of the 60 expense reports reviewed, 17 were inadequately documented and five did not have evidence of management review.

Credit Card Usage and Charges

We tested 252 credit card charges totaling \$218,511 and found that not all credit card transactions were duly authorized, reconciled, supported, reviewed, and approved. Specific findings include:

- GVB allowed travelers to receive 50% of per diem allowances instead of full per diems. Other expenses such as hotel, food, and incidentals were charged to the credit cards. This practice circumvented the travel law and allowed travelers to incur \$138,403 in excess of allowable per diem amounts. GVB was unable to provide the Board minutes, resolution, or directive authorizing this arbitrary practice, which is not in accordance with the Guam Travel Law.⁸
- Off-island credit card charges totaling \$38,882 appeared to be legitimate business expenses, but were not reported in the expense reports, reconciled, reviewed, and approved.
- Off-island credit card charges totaling \$32,512 were made by individuals without approved TAs.
- Contrary to section 16C.2 of GVB’s Travel Policy, which states that the credit cards may only be used for on-island programs “[o]nly with prior approval from the GM (or his representative),” \$25,917 in unauthorized local purchases were made.
- Indeterminable credit card charges totaling \$8,118 were made.
- Inadequately-documented entertainment activities were charged to the credit cards. Some of the receipts submitted to support the expenses were in foreign language and expressed in foreign currency. As such, we were unable to determine the nature of the expenditures.

Other Issues

- Lack of an objective criteria resulted in inconsistencies in the compensation of performers and pageant winners who participated in overseas promotional events; and
- The absence of a gift-exchange policy. Credit card charges totaling \$2,309 for inadequately documented gift items that may be excessive in value and may be inappropriate (i.e., a \$460 Gucci item and a \$220 Hermes item) were made at various local retailers, including Duty Free Shoppers, Ltd.

A detailed discussion of the findings follows.

⁸ 5 G.C.A. Chapter 23.

Travel Activities

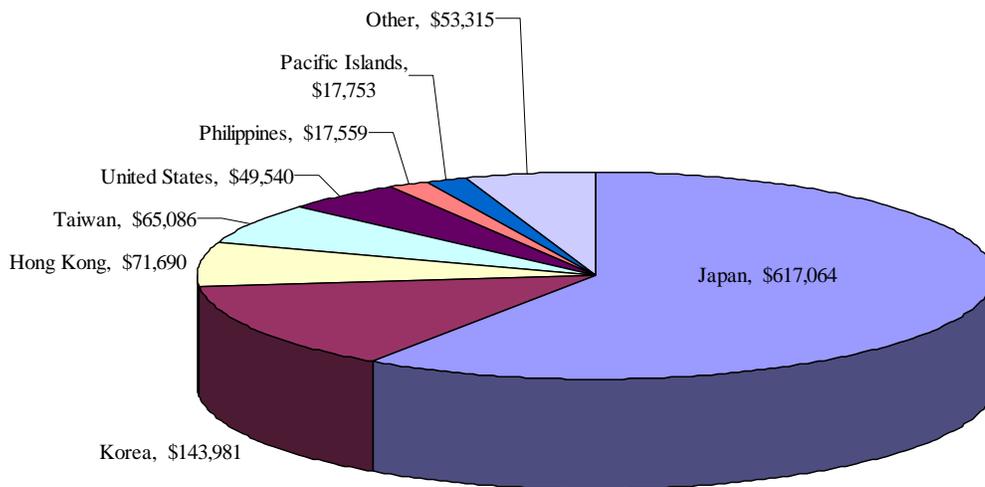
Poor Record-Keeping

GVB’s accounting department was unable to provide the total amount of travel-related costs. According to the accounting department, their “present [accounting] system is not capable of generating such information.” GVB’s inability to readily provide basic travel information raises concern as to management’s lack of review and oversight and the overall control environment established over travel-related expenditures.

GVB maintains a travel log indicating the TA number, traveler’s name, travel dates, destination, and project title/account number. However, we found that some entries were illegible, incomplete, or did not reconcile with travel authorizations. Without any other reliable reference available for use in our analyses, we utilized the travel log and available TAs to approximate the number of TAs issued and the total cost of travel.⁹

For fiscal years 2001 through 2004, GVB participated in 149 off-island travel programs/events. From the TA log, we determined that GVB issued 632 TAs to 235¹⁰ persons for approximately 2,736 days of travel. Of the 632 TAs, GVB could not account for approximately 23%, or 145 TAs. The estimated cost of travel for the 487 TAs on file is \$1,035,987. See Graph 1 for a breakdown of expenditures per market and Table 1 for a comparison of travel-related expenditures and the corresponding visitor arrivals per country.

Graph 1: Expenditures Per Market



⁹ Estimated total cost of travel was calculated based on amounts authorized in the TAs for airfare, per diem, room and board, conference registration fees, car rental, and miscellaneous allowances.

¹⁰ GVB’s records did not always indicate how many persons were covered by a TA issued to a group. We considered TAs issued to a group as one traveler although the actual number of travelers may be greater.

Table 1: Expenditures v. Visitor Arrivals

| Grand Total | | | |
|----------------------------------|-------------------------|-------------------------------|-------------------------|
| Total Travel Expenditures | % of Grand Total | Total Visitor Arrivals | % of Grand Total |
| \$ 617,064 | 59.56% | 3,156,188 | 78.18% |
| 143,981 | 13.90% | 397,828 | 9.85% |
| 65,086 | 6.28% | 94,903 | 2.35% |
| 49,540 | 4.78% | 168,637 | 4.18% |
| 17,753 | 1.71% | 131,699 | 3.26% |
| 17,559 | 1.69% | 25,640 | 0.64% |
| 5,300 | 0.51% | 7,990 | 0.20% |
| - | 0.00% | 3,223 | 0.08% |
| - | 0.00% | 5,466 | 0.14% |
| 71,690 | 6.92% | 28,271 | 0.70% |
| - | 0.00% | 123 | 0.00% |
| 3,753 | 0.36% | 1,005 | 0.02% |
| 24,889 | 2.40% | 3,712 | 0.09% |
| - | 0.00% | 144 | 0.00% |
| 19,373 | 1.87% | 12,360 | 0.31% |
| \$ 1,035,987 | 100.00% | 4,037,189 | 100.00% |

Note: Totals may not add up due to rounding.

Table 1 compares GVB's travel expenditures in various countries with the visitor arrivals from those countries. For example, travel-related expenditures for Japan accounted for 60% of GVB's total travel-related expenditures for fiscal years 2001 through 2004 and the market's revenue-generating ability corresponded with the expenditures as Japanese visitors accounted for 78% of total visitors in the same time period. On the other hand, the Korean market, which accounted for 14% of total travel-related expenditures, only generated 10% of total visitor arrivals. Similarly, the Taiwan market, which accounts for 6% of total travel-related expenditures, only generated 2% of total visitor arrivals. Such data can be used, to an extent, as a management tool to identify areas of opportunities. See Appendix 4 for details.

Members of delegations who traveled abroad on promotional trips and to attend various conferences included members of the Board, management, employees, and persons not employed by GVB. See Table 2 for the top ten travelers based on number of TAs issued.

Table 2: Top Ten Travelers Based on Number of TAs Issued

| | | 2001 | 2002 | 2003 | 2004 | TOTAL | |
|----|---|---------------------------|-----------|-----------|-----------|-----------|-----------|
| 1 | General Manager (1995 - 1998; 1999 - 2003) | # of TAs Issued | 25 | 24 | 3 | | 52 |
| | | # of Travel Days | 98 | 111 | 16 | | 225 |
| | | Total Allowances Received | \$ 32,527 | \$ 32,660 | \$ 2,227 | | \$ 67,414 |
| 2 | Cultural Heritage Officer | # of TAs Issued | 23 | 8 | 5 | 10 | 46 |
| | | # of Travel Days | 89 | 34 | 18 | 54 | 195 |
| | | Total Allowances Received | \$ 27,782 | \$ 9,768 | \$ 6,350 | \$ 10,868 | \$ 54,768 |
| 3 | Marketing Manager | # of TAs Issued | 12 | 13 | 7 | 12 | 44 |
| | | # of Travel Days | 54 | 48 | 30 | 56 | 188 |
| | | Total Allowances Received | \$ 15,714 | \$ 15,101 | \$ 5,012 | \$ 10,083 | \$ 45,911 |
| 4 | General Manager (2003 - 2005) | # of TAs Issued | | | 12 | 19 | 31 |
| | | # of Travel Days | | | 38 | 75 | 113 |
| | | Total Allowances Received | | | \$ 14,616 | \$ 22,290 | \$ 36,906 |
| 4 | Chairman of the Board (2003 -) | # of TAs Issued | 7 | 9 | 10 | 5 | 31 |
| | | # of Travel Days | 30 | 32 | 31 | 21 | 114 |
| | | Total Allowances Received | \$ 5,834 | \$ 10,763 | \$ 6,488 | \$ 3,744 | \$ 26,828 |
| 5 | Marketing Officer II | # of TAs Issued | 9 | 5 | 4 | 5 | 23 |
| | | # of Travel Days | 31 | 23 | 18 | 24 | 96 |
| | | Total Allowances Received | \$ 9,048 | \$ 6,778 | \$ 3,192 | \$ 5,743 | \$ 24,760 |
| 5 | Marketing Officer II | # of TAs Issued | 4 | 4 | 5 | 10 | 23 |
| | | # of Travel Days | 22 | 20 | 24 | 40 | 106 |
| | | Total Allowances Received | \$ 5,302 | \$ 7,457 | \$ 5,859 | \$ 8,356 | \$ 26,975 |
| 6 | Marketing Officer II | # of TAs Issued | 11 | 9 | 1 | | 21 |
| | | # of Travel Days | 53 | 31 | 3 | | 87 |
| | | Total Allowances Received | \$ 13,611 | \$ 9,992 | \$ - | | \$ 23,603 |
| 7 | Chairman of the Board (1999 - 2002) | # of TAs Issued | 12 | 6 | | | 18 |
| | | # of Travel Days | 39 | 32 | | | 71 |
| | | Total Allowances Received | \$ 14,579 | \$ 5,792 | | | \$ 20,371 |
| 8 | Senator; Governor (- 2002); (2003 -) | # of TAs Issued | 2 | 2 | 7 | 6 | 17 |
| | | # of Travel Days | 9 | 8 | 14 | 27 | 58 |
| | | Total Allowances Received | \$ 2,114 | \$ 2,763 | \$ 5,890 | \$ 5,248 | \$ 16,016 |
| 8 | Marketing Officer II | # of TAs Issued | 5 | 6 | 6 | | 17 |
| | | # of Travel Days | 20 | 30 | 24 | | 74 |
| | | Total Allowances Received | \$ 5,752 | \$ 9,015 | \$ 6,920 | | \$ 21,687 |
| 9 | Deputy General Manager (2003 - 2005) | # of TAs Issued | | | 2 | 11 | 13 |
| | | # of Travel Days | | | 5 | 36 | 41 |
| | | Total Allowances Received | | | \$ 1,500 | \$ 10,184 | \$ 11,684 |
| 10 | Marketing Officer II | # of TAs Issued | 4 | 4 | 1 | 2 | 11 |
| | | # of Travel Days | 16 | 16 | 4 | 8 | 44 |
| | | Total Allowances Received | \$ 8,434 | \$ 5,169 | \$ - | \$ 2,424 | \$ 16,027 |

Note: Totals may not add up due to rounding.

We judgmentally selected 37 travel programs/events consisting of 272 TAs for audit testing. However, our testing was limited to 12 travel programs/events and 207 TAs, because GVB was unable to provide records for 25 travel programs/events and 65 TAs. Detailed audit testing was conducted to determine:

- Whether the travel programs and events were approved by the Board;
- Whether marketing reports submitted and subsequently reviewed and approved by an authorizing official;
- Whether all travel were supported by a valid TA; and
- Whether individual expense reports were submitted and subsequently reviewed and approved. Detailed discussions of the results follow.

After a meeting with GVB officials on October 6, 2006 to discuss the findings of our audit, we were provided with additional documents. The results as presented in the discussion to follow takes into account the results of the subsequent review.

Failure to Enforce Travel Policy

Chapter 16 of the Guam Visitors Bureau Personnel Rules and Regulations provides guidelines for travel, entertainment, and reimbursement to ensure that privileges are not abused, travelers are held accountable, and travel expenses are reconciled. The Travel Policy is applicable to all “who travel or entertain on behalf of the GVB at promotions, trade shows, conferences, and seminars approved by the Board of Directors ...”

The Travel Policy should be concise and clear. Although we found that GVB’s Travel Policy contains sufficient control provisions to ensure accountability over travel, the provisions are cumbersome, unclear, or are no longer relevant to current operations. Through interviews with marketing staff, it became evident that GVB’s actual practices are inconsistent with established policies. The Marketing Manager acknowledged that the policy is outdated and in need of revision to reflect current operations. See Appendix 5 for a flowchart of the current Travel Policy.

More importantly, management needs to communicate the travel policy to all travelers. According to a marketing officer, new employees “have not seen the Travel Policy.” Management’s lack of oversight, failure to monitor activities, and failure to enforce the provisions has made the Travel Policy ineffective. As a result, the approval process was not followed; reporting requirements were not complied with; and travel expenditures were not authorized, reconciled, supported, reviewed, and approved.

Approval Process Not Followed

Section 16A.2 of the Travel Policy requires “[t]he project team leader,¹¹ in consultation with the GM (or his representative), [to] submit a request for funding to the Board at least one (1) month prior to departure ...” The request for funding should identify the project team leader, state the objectives of the program, identify proposed members of the delegation, identify whether a program is inbound or outbound, and provide an estimate of overall cost in dollar amounts and expressed as a percentage of total travel budget for the market area.

We were informed that there is no specific format for the funding requests and that they were simply presented verbally to the Board for approval. We reviewed Board minutes and found that:

- Five, or 42%, of the 12 travel programs had no evidence of Board approval; and
- Three of the seven approved were not approved at least one month prior to departure as required by section 16A.2 of the Travel Policy.

¹¹ Marketing staff members assigned as the in-charge for each of the major tourist markets. The team leader is responsible for the development and implementation of promotional travel programs.

In January 1995, EO 95-01 required all agency requests for off-island travel to be submitted to the Bureau of Budget and Management Research (BBMR) for final approval at least 15 working days prior to the commencement of travel.”¹² In turn, BBMR must immediately inform the Governor of each travel request. Of the 207 TAs available for review, 189, or 91%, were approved by BBMR and 18, or 9%, were approved by the Governor’s staff.

Failure to Submit Individual Expense Reports

Section 16D.3 of the Travel Policy states that “[e]xpense reports must be completed and submitted to the TC [Travel Coordinator] for GM approval within 14 calendar days upon return.” The reports, which must be submitted by all travelers, including persons not employed by GVB, must be accompanied by documentation, such as boarding passes, receipts, and explanation/documentation of unusual items. Of the 272 TAs selected for detailed review, we found:

- 212, or over 75%, did not have corresponding individual expense reports;
- 17 of the 60 expense reports filed were inadequately documented; and
- Five of the 60 expense reports filed did not have evidence of management review.

Due to the inconsistencies in dating the reports, we were unable to verify with certainty whether the reports were reviewed and approved in a timely manner.

In January 2006, we informed GVB’s accounting department of the high occurrences of non-submission of expense reports. We were told that the Controller and the Marketing Manager verbally reminds the travelers to submit the expense reports. It was emphasized to us that filing expense reports was the responsibility of the individual travelers. Although the responsibility to submit the expense reports rests with the traveler, it is management’s responsibility to ensure that travelers are held accountable. A reminder without consequence for non-submission is seldom effective.

Section 16C.1 of the Travel Policy provides the following potential consequences for non-submission:

- Deduction of amounts outstanding after 14 calendar days from the employee’s paycheck;
- Report filed with the Attorney General’s Office; and
- Denial of future travel requests.

Through interviews, we found that personnel were unaware of the consequences outlined above and that no known adverse actions were taken against those who did not comply with the requirements.

Recording per diem allowances as a receivable is a control measure to ensure that all documentation are submitted, reconciled, reviewed, and approved prior to clearance of the

¹² This provision is incorporated in 16B.1 (E) of GVB’s travel policy.

receivable. However, GVB's accounting department recorded per diem allowances as direct expenses instead of recording them as receivables. This practice is not consistent with Section 1712 of Guam's Travel and Transportation Manual and other government of Guam entities.

Incomplete Marketing Reports

At the conclusion of each travel program, the marketing department is required to submit a comprehensive marketing report to include details of program expenses. The marketing reports for the 12 travel programs/events were incomplete and not prepared according to policy. The information packets provided to us were disorganized and the contents (i.e., floor space plans and itineraries) varied with each program.

As required by 16D.1, a marketing report should contain the following:

1. A briefing on the effective accomplishment of objectives of the travel program;
2. Industry contacts made;
3. Feedback from key observers;
4. Details of press and TV/Radio coverage; and
5. Details of expenses.

Of the 12 travel programs, we found that:

- Five, or 42%, did not have a marketing report;
- Five of the seven travel programs with marketing reports, or 27%, had no indication of management review; and
- All of the marketing reports did not contain the elements required by the travel policy, such as program accomplishments, feedback from key observers and details of expenses; information that are essential management tools that can be used to evaluate a program's effectiveness and budget.

In a March 2006 interview, a Marketing Officer informed us that overall travel program expense reports are not prepared and is of the opinion that the individual expense reports are sufficient. Management's failure to ensure that the reports submitted, reconciled, reviewed, and approved may set an undesirable tone that accountability is unimportant. See Appendix 6 for discussion on review and approval.

Credit Card Usage and Charges

For fiscal years 2001 through 2004, GVB credit card transactions totaled \$386,636. We identified¹³ the composition of the charges as \$35,702 local, \$335,707 off-island,¹⁴ \$8,118 unknown; and \$7,108 in various bank charges.

¹³ The classification of the credit card charges were based on the location identified in the credit cards. Off-island credit card charges are not necessarily travel-related and may include internet purchases.

¹⁴ The term off-island credit card charge is not interchangeable with the term travel-related credit card charge in this report.

Table 3: Credit Cards and Total Charges

| | 2001 | 2002 | 2003 | 2004 | TOTAL |
|------------------------------------|-------------------|------------------|------------------|------------------|-------------------|
| # of Credit Cards | 14 | 12 | 11 | 9 | |
| Credit Card Charges | | | | | |
| Local | \$ 10,071 | \$ 13,480 | \$ 4,054 | \$ 8,097 | \$ 35,702 |
| Off-Island | \$ 153,731 | \$ 75,867 | \$ 28,484 | \$ 77,625 | \$ 335,707 |
| Subtotal | \$ 163,802 | \$ 89,347 | \$ 32,538 | \$ 85,722 | \$ 371,409 |
| Unknown Credit Card Charges | | | | | |
| Local | | | \$ 55 | | \$ 55 |
| Off-Island | \$ 5,292 | \$ 738 | \$ 376 | \$ 1,658 | \$ 8,064 |
| Subtotal | \$ 5,292 | \$ 738 | \$ 431 | \$ 1,658 | \$ 8,118 |
| Bank Charges | | | | | |
| Annual Membership Fee | \$ 475 | \$ 175 | \$ 225 | \$ 200 | \$ 1,075 |
| Finance Charges | \$ 2,532 | \$ 1,912 | \$ 757 | \$ 322 | \$ 5,523 |
| Adjustments | \$ 15 | \$ 477 | \$ 18 | | \$ 510 |
| Subtotal | \$ 3,022 | \$ 2,564 | \$ 1,000 | \$ 522 | \$ 7,108 |
| TOTAL | \$ 172,116 | \$ 92,649 | \$ 33,969 | \$ 87,902 | \$ 386,636 |

Note: Totals may not add up due to rounding.

GVB's Annual Percentage Rate (A.P.R.) is 18.5% and credit cardholders are assessed an annual membership fee of \$25. In comparison, the Guam Housing and Urban Renewal Authority's credit card A.P.R. is 6.75% and their \$200 annual membership fee is waived.

Unknown Credit Card Charges

At the inception of the audit, we could not identify the nature of \$8,118 in credit card charges based on the descriptions in the credit card statements. As a result, these charges were excluded from consideration for detailed audit testing. GVB management provided additional documents to explain some of the unknown charges after the conclusion of the audit. As a result the amount was reduced by \$3,461 from \$11,579. See Table 4 for a synopsis of the unknown credit card charges per cardholder.

Table 4: Unknown Credit Card Charges

| | |
|---|-----------------|
| Administrator, Research & Evaluation | \$ 2,768 |
| Marketing Officer II | \$ 989 |
| Deputy General Manager (- 2003) | \$ 915 |
| Marketing Manager | \$ 779 |
| Cultural Heritage Officer | \$ 779 |
| Marketing Officer II | \$ 735 |
| General Manager 1999 - 2003) | \$ 492 |
| Marketing Officer II | \$ 438 |
| Marketing Officer II | \$ 204 |
| Marketing Officer II | \$ 18 |
| Total | \$ 8,118 |

Note: Totals may not add up due to rounding.

Examples of credit card charges that we could not identify include:

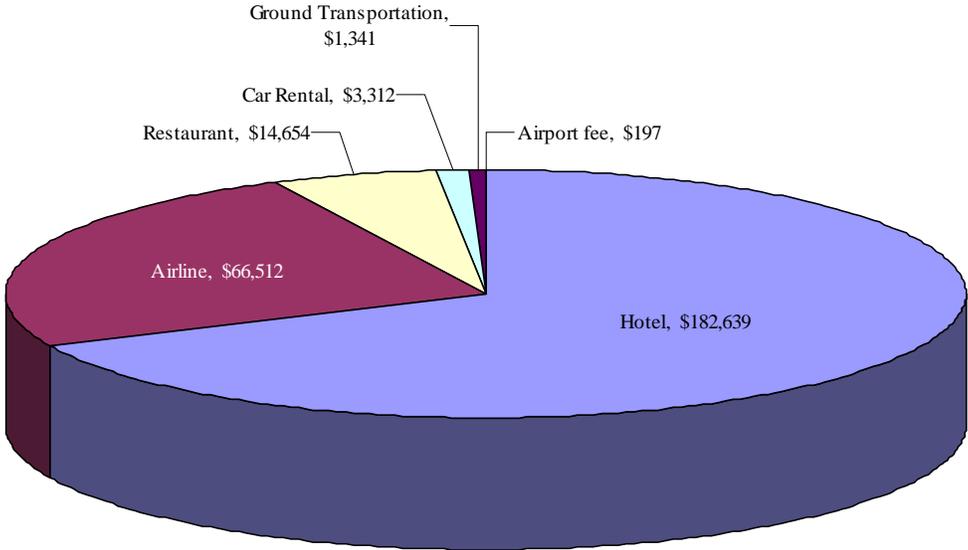
- A \$1,700 mail order from E.I.U. Asia Pacific and a \$442 transaction at Corp International on Retail in London by the Administrative Officer;
- A \$662 transaction at Reservation Express Ltd in Hong Kong by the Marketing Manager; and
- A \$636 transaction at Jikusu and a \$201 transaction at Gankozushi Dotonbrite, both in Japan, by a Marketing Officer.

See Appendix 7 for details of unknown credit card charges.

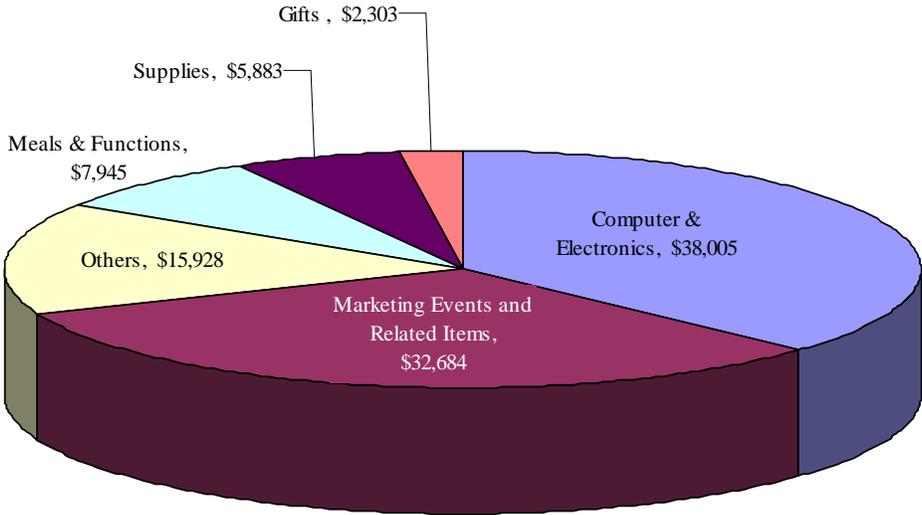
In selecting transactions for detailed audit testing, only the identifiable credit card charges totaling \$371,409 were considered. The various bank charges, as well as the unknown credit card charges, were excluded. Of the \$371,409, we identified \$268,655 in travel-related and \$102,748 in other credit card charges.¹⁵ See Graph 2 for the composition of travel-related and Graph 3 for the composition of other credit card charges.

¹⁵ The \$6 variance between \$371,409 and \$371,403 (\$268,655+\$102,748) is due to rounding.

**Graph 2: Travel-related Credit Card Charges
(Total: \$268,655)**



**Graph 3: Other Credit Card Charges
(Total: \$102,748)**



Of the \$371,409 in identifiable credit card charges, exclusive of bank charges, 252 credit card charges totaling \$218,511 were judgmentally selected for detailed audit testing.¹⁶ See Appendix 2 for specifics on audit methodology.

Inadequate Credit Card Policy

Section 16C.2 Credit Cards of GVB's Travel Policy is as follows:

GVB credit cards exist for off-island business use only and is [*sic*] the property of the GVB. At no time will personal charges be encouraged or tolerated on a GVB credit card. Only with prior approval from the GM (or his representative) the credit card may be used for on-island programs.

On occasion, participants may be required to make their own travel arrangements. Staff members should advise the [Travel Coordinator] and the GM (or his representative) of these circumstances and obtain prior approval. The GVB credit card should always be used in this event.

Claims for reimbursement shall be submitted on a Travel and Miscellaneous Expense Form (TMEF). Participants should note that failure to obtain full documentation for expenses paid may result in reimbursement of expenses being denied.

GVB's three-paragraph Credit Card Policy is not sufficient to provide assurance for the effective and efficient administration of the credit card program. The Credit Card Policy does not:

1. **Identify and authorize responsible officials.** Responsible officials should be identified and provided with the authority to carry out their duties and to implement necessary procedures when delinquency or misuse is found. Management should set the tone for the level of accountability expected of employees.
2. **Set clear limits for credit card use.** While stipulating that credit cards are for off-island use only, GVB's Credit Card Policy contains a loophole that allows for on-island use "[o]nly with prior approval from the GM (or his representative)." As such, the credit cards can be used anytime and anywhere particularly since prior approvals are not always sought or monitored.
3. **Define allowable purchases.** A guidance of specific types of transactions that can or cannot be charged should be incorporated in the Bureau's Credit Card Policy.
4. **Specify reporting requirements.** Reports should be timely and complete (i.e. 14 days after the completion of travel.).

¹⁶ Off-island charges were reviewed separately and independent of the review for other credit card transactions. See Appendix 2 for methodology.

5. **Require review and follow-up.** Credit card statements should be reviewed and reconciled on a monthly basis. Management should designate approving officials with a realistic span of control to enable them to perform a thorough review.
6. **Provide for training.** Management should conduct regular sessions to discuss the appropriate conduct in the use of government credit cards to include a discussion on their individual responsibilities to ensure accountability over the charges made. In addition to cardholder training, approving officials should be trained on protocols to satisfactorily perform their responsibilities (i.e. reviewing, report-generating, and reconciliation).



Image 2: Tumon Bay

The establishment and implementation of written policies and procedures and subsequent monitoring are essential to an internal control system in order to effectively minimize delinquency and the potential for misuse, abuse, and fraud. However, GVB's three-paragraph Credit Card Policy does not this. See Appendix 6 for discussion on review and approval.

Paragraph 3 of Section 16C.2 implies that credit card expenses are first paid for by the credit cardholder and GVB reimburses the cardholder for official

expenses. In actual, credit card statements are sent directly to the accounting department, which pays for the charges in full. According to the accounting department, photocopies of the billing statements are provided to the cardholders who are to acknowledge the receipt of the statements, ascertain, the charges and provide documentation (i.e. receipts, invoices) to support the charges.

During our detailed audit test of judgmentally selected credit card transactions, we found that credit card charges were made without authorization and were not adequately documented, reconciled, reviewed, and approved. GVB management's lack of monitoring, review and approval resulted in unauthorized credit card charges, credit card charges in excess of allowable per diem and unauthorized local charges.

Unauthorized Off-Island Credit Card Charges: No TAs

Off-island credit card charges totaling \$32,512 were made by individuals who did not have a corresponding TA to support the legitimacy and appropriateness of the purchases. Without an approved TA, the credit card charges are unauthorized and should be reimbursed by the cardholder. See Table 5 for a breakdown by individual and Appendix 8 for details.

Table 5: Off-Island Credit Card Charges Without Approved TAs

| | |
|-------------------------------------|------------------|
| Marketing Officer II | \$ 7,182 |
| General Manager (1999 - 2003) | \$ 7,109 |
| Cultural Heritage Officer | \$ 6,927 |
| Marketing Manager | \$ 4,351 |
| Marketing Officer II | \$ 3,542 |
| Deputy General Manager (- 2003) | \$ 2,015 |
| Public Information Officer | \$ 786 |
| Marketing Officer II | \$ 600 |
| Total | \$ 32,512 |

Note: Totals may not add up due to rounding.

The unauthorized off-island credit card transactions include:

- Seven charges totaling \$7,182, all on the same day, at the Hotel Grand Pacific Tokyo in Japan by a Marketing Officer;
- A \$6,694 charge at the Palau Pacific Resort in Palau;
- A \$2,460 transaction at the Hotel Grand Pacific Tokyo in Japan and four charges totaling \$2,067 from Northwest Airlines by the former General Manager;
- Transaction in the amount of \$3,918 at the Seoul Hilton Hotel in Korea and two charges totaling \$333 by the Marketing Manager at the Hyatt Saipan in Saipan; and
- Purchases of \$1,709 and \$613 from Continental Airlines by a Marketing Officer.

Unreconciled Off-Island Credit Card Charges

Of the off-island credit card charges with approved TAs, \$38,882 for items such as airlines, car rental, exposition fees, electronics, and transportation were not reconciled. While these expenses appear to be legitimate business expenses, they were not reported or included in the expense reports to justify the charges. Official business expenses incurred over amounts authorized in the TA should be reported in the expense reports and approved.

Rather than establishing amounts indicated in approved TAs as control amounts, GVB's Controller maintained that the amounts are estimates and that deviations from authorized amounts in GVB's TAs were not uncommon.

Without review, monitoring, and strict measures for approval, support, verification, and reconciliation, government credit card use is susceptible to abuse, misuse, and fraud. Cardholder statement accounts and supporting documentation should be reviewed and timely reconciled. Non-compliance should immediately be brought to the attention of the cardholder and appropriate disciplinary measures should be taken. See Appendix 9 for more details.

Credit Card Charges In Excess of Allowable Per Diem

Per Diem is a daily allowance provided to government travelers to cover daily lodging, meal and ground transportation expenses while on official travel. The government of Guam per diem rate was as follows:

- \$125 daily for travel in Micronesia and the Commonwealth of the Northern Mariana Islands;
- \$175 daily for travel in Hawaii, San Francisco, New York, Washington, D.C., and Japan; and \$150 for all other areas; and
- Per diem rate for members of the GVB Board, General Manager, and Deputy General Manager is 125% of the standard rates.

We found GVB had a practice of allowing travelers to receive 50% of their per diem allowances. Expenses for lodging, food, and incidentals, which should have been covered by the per diem, were instead charged to credit cards. However, GVB was unable to provide Board minutes, resolutions or any directive authorizing this practice, which, according to the accounting department has been in place for “quite some time” and is applicable to all¹⁷ who travel on behalf of GVB.

The Marketing Manager stated that 50% of the per diem allowance is usually given to the traveler if hotel expenses are charged to a credit card or in instances where hotel accommodations are included in the registration costs of an event. Additionally, according to the Marketing Manager, the accounting department determines whether the full per diem amount or only 50% will be provided to a traveler. This arbitrary practice is **not** in accordance with the Guam Travel Law.¹⁸ It circumvents the travel law and allows travelers to incur more than the per diem amounts authorized by law.

Our analysis shows that GVB credit cardholders incurred \$138,403 in excess of the per diem allowed by law. However, our analysis was limited to credit cardholders and did not include other individuals who traveled on behalf of GVB. We noted that of the 272 TAs selected for testing, some of which were issued to individuals not employed by GVB, 137, or approximately 50%, received 50% of the daily per diem allowances. Therefore, the actual amounts charged in excess of the allowable per diem rates may be greater. See Table 6 for a synopsis of the analysis found in Appendix 10.

¹⁷ Authorized credit cardholders would often charge meal and lodging expenses of non-cardholders.

¹⁸ 5 G.C.A. Chapter 23.

Table 6: Credit Card Charges In Excess of Allowable Per Diem

| | |
|-------------------------------------|-------------------|
| Marketing Officer II | \$ 38,282 |
| Cultural Heritage Officer | \$ 29,681 |
| Marketing Officer II | \$ 16,629 |
| General Manager (1999 - 2003) | \$ 14,310 |
| Marketing Manager | \$ 10,995 |
| Marketing Officer II | \$ 10,581 |
| Deputy General Manager (- 2003) | \$ 12,068 |
| Marketing Officer II | \$ 3,223 |
| Marketing Officer | \$ 1,456 |
| Marketing Officer | \$ 1,178 |
| TOTAL | \$ 138,403 |

Note: Totals may not add up due to rounding.

Specific examples include:

- In April 2001, a General Manager traveled to Malaysia for six days. At a rate of \$188 (\$150 x 125%), the per diem allowance allowed by law was \$1,125 (\$188 x 6). The GM was advanced 50% of the per diem allowance or \$563, and charged \$7,216 in hotel expenses. The GM incurred \$6,654 over the per diem amount allowed by law.

Additionally, although the TA issued to the General Manager indicated Malaysia as the travel destination, we found that \$1,474 of the \$7,216 in credit card charges was incurred at a hotel in the Philippines.

- In April 2000, a Deputy General Manager traveled to New Caledonia for seven days. At a rate of \$188 (\$150 x 125%), the per diem allowance allowed by law was \$1,313 (\$188 X 7). The Deputy General Manager was advanced 50% of the per diem or \$656, and charged \$7,253 at various hotels and restaurants. The Deputy General Manager incurred \$6,597 over the per diem amount allowed by law.

In addition to the hotel and meal charges, the Deputy General Manager also charged \$860 at a communications company for unexplained purchases.

- In November 2000, a Marketing Officer traveled to Taiwan for six days. At a rate of \$150, the per diem allowance allowed by law was \$900 (\$150 x 6). The Marketing Officer was advanced 50% of the per diem or \$450, and charged \$4,700 for hotel accommodations. The Marketing Officer incurred \$4,250 over the per diem amount allowed by law.
- In November 2002, a Cultural & Heritage Officer traveled to Taiwan for seven days. At a rate of \$150, the per diem allowance allowed by law was \$1,050 (\$150 x 7). The Cultural & Heritage Officer was advanced 50% of the

per diem or \$525, and charged \$6,576 for hotel accommodations. The Cultural & Heritage Officer incurred \$6,051 over the per diem amount allowed by law.

We noted during our detail audit testing that credit cardholders frequently made purchases for non-credit cardholders. Credit card charges for the cardholders and those incurred for non-cardholders (i.e., members of the delegation) are not separately reported and accounted for, which made it difficult to distinguish the actual expenditures for each person.

After we provided a draft audit report to the General Manager, we were provided with documentations to substantiate \$1,737 in questioned cost. The charges that contributed to the over-expenditure included expenses for booth furnishings, transportation of booth materials/collateral to the event and hotel accommodations for two travelers. Questioned costs were adjusted accordingly by \$1,737 from \$140,140.

5 G.C.A. § 23104(c) provides a reimbursement mechanism for legitimate expenses that exceed authorized allowances. It states:

If advances of the per diem allowance and travel expense allowance are less than the employee's actual authorized expenses then [the employee] shall be reimbursed for the amount his actual expenses exceeded the advance allowances" provided that the expenditures are "supported by receipts, affidavit, or both.

The 50% per diem allowance is contrary to Guam Travel Law and we recommend it be discontinued immediately. The arbitrary practice of advancing 50% of the per diem allowance to the traveler and allowing the use of the credit cards expenses does not encourage prudent spending. Additionally, the high numbers of travelers not submitting expense reports does not assure accountability for the use of government funds and increases the susceptibility for waste, misuse, abuse, and fraud.

The elimination of the arbitrary practice of advancing 50% per diem while simultaneously allowing the use of credit cards will also encourage greater fiscal responsibility and accountability on the part of individual travelers. In theory, if travelers are issued per diem, they will exercise prudent fund management and contain expenditures within budgeted amounts to minimize personal financial burden. If travel advances prove insufficient, a reimbursement method exists. As prescribed by the Guam Travel Law, employees seeking reimbursement for expenses over amounts advanced are required to submit documentation to support those expenses. Travelers seeking reimbursement for out-of-pocket expenses need only to follow the requirements of the Guam Travel Law. For this to materialize, GVB's management needs to set the control environment tone and expect accountability from its employees and others who travel on behalf of GVB.

In September 2005, P.L. 28-68 adopted the federal government's per diem guidelines, which provide separate rates for lodging, meals, and incidentals for travels within and outside the Continental U.S. To ensure consistency in practice, GVB should immediately discontinue

providing 50% of the per diem allowances, provide per diem allowances based on the federal guidelines, and adhere to the reimbursement mechanism provided for in 5 G.C.A. § 23104(c).

Unauthorized Local Charges

Section 16C.2 of GVB's Travel Policy states that the credit cards may only be used on-island with prior approval from the GM or his representative. For our review of local charges, 48 credit card transactions totaling \$35,702 were selected for audit testing. We found that:

- All local transactions have no evidence of prior approval;
- 33 charges totaling \$25,917 had no evidence of competitive procurement;
- 42 transactions totaling \$20,118 did not have an expense report; and
- 12 transactions totaling \$7,144 did not have adequate documentation (i.e., receipts, invoices) in file.

Based on our findings, it appears that there is little to no lack of accountability over the use of credit cards for local transactions.

Credit Cards Allowed for Lack of Procurement Practices

We also noted that credit cards were frequently utilized for procurement. Purchases made locally and online include office supplies and computer hardware equipments. We found that the use of credit cards for procurement-related purchases allowed for lax procurement practices. Purchases were made without prior approval, expense reports were not filed, and documentations to support the expenditures were not provided.

The accounting department could not provide us with their procurement policies or readily inform us of their practices. They were unsure whether they follow the Guam Procurement Law and could only say that three quotes are obtained for all purchases. They indicated that RFPs are solicited for larger projects, but they could not provide the threshold amount as to what constitutes a large project.

We were later informed and provided with GVB Management Directive 95-29, which requires a minimum of three quotations for all purchases.

Of the 48 local credit card charges reviewed, all of which were under \$15,000, 33 purchases totaling \$25,917 were subject to competitive procurement. However, we found no evidence that GVB personnel solicited quotations to ensure competitive procurement for the 33 charges.

5 G.C.A. § 5125 of the Guam Procurement Law states that "Every governmental body which is in purview of the Executive Branch, and including ... the Guam Visitors Bureau, shall be governed by Articles 1, 3, 6, 7, 10, 11 and 12 of this Chapter. . ." Therefore, GVB is subject to and must abide by the Guam Procurement Law. 2 Guam Administrative Rules § 3111(c)(2) further states that, "[i]nsofar as it is practical for small purchases of supplies and services between \$500 and \$15,000, no less than three positive written quotations from small businesses shall be solicited, recorded and placed in the procurement file."

GVB's accounting department indicated that quotations for purchases are maintained. However, we were informed that quotations are usually verbal and written records are not maintained.

An essential element found in state and local laws is the written documentation of all steps in the procurement cycle. Procurement files should have sufficient historical documentation, such as the rationale for the method of procurement, list of sources solicited, copies of published notices, copies of solicitations, abstract of each offer or quote, source selection documentation, notice of awards and other procurement documentation. As such, "[a] properly documented file...provides a complete background as a basis for informed decisions at each step in the acquisition process. A well documented file speaks for itself. . ." ¹⁹

Inadequate Documentation of Entertainment Expenses

According to section 16C.11 of GVB's Travel Policy, "entertainment expenses must be ordinary and necessary expenses directly related or associated with the active conduct of business." The Travel Policy also requires entertainment expenses to be properly documented and substantiated. Specifically, documentation of the entertainment expense should include the following information:

1. Date entertainment occurred;
2. Name and location where associates/guests are entertained;
3. Description/type of entertainment;
4. The business purpose and the nature of the business benefit to be gained by the GVB;
5. The business relationship to the GVB of the persons entertained; and
6. Information, including but not limited to, the names, occupations and/or titles of the persons being entertained.

We found that persons who entertained on behalf of GVB with government funds did not adequately document entertainment expenses. Examples include:

- \$2,080 for a cocktail party at a local hotel. The purpose and attendees were not indicated and no expense report was filed; and
- \$445 meal charges at a local hotel. Although an expense report was filed, the purpose and attendees were not indicated.

We noted several instances where receipts submitted were in a foreign language. As such, we were unable to readily determine the nature or appropriateness of the expenditures. Although receipts are provided, they are of little value if they are not self-explanatory. In addition to ensuring that expenditures are appropriate, reviewing officials should ensure that charges are readily identifiable and adequately documented before processing for payment.

Section 16C.11 of GVB's Travel Policy states that, "[g]iven the discretionary nature of entertainment expenditure ... all entertainment expenses shall be prioritized and results

¹⁹ US Department of Transportation Best Practices Manual.

oriented.” Although GVB’s policy authorizes the use of government funds for entertainment, it recognizes that they are discretionary in nature. The discretionary nature of entertainment expenditures and the absence of objective criteria defining acceptable forms and cost of entertainment make them susceptible to fraud, waste, and abuse. Expenditures should be properly and adequately documented so that anyone wishing to review the files is able to identify who was present, the nature of the entertainment and its relevance to GVB operations, and more importantly, to conclude that the transaction was a legitimate business expense and an appropriate use of public funds.

In December 2004, P.L. 27-152 prohibited the use of public funds for the “purchase of or reimbursement for alcoholic beverages.” P.L. 27-152 further prohibited soliciting, accepting, or receiving “any alcoholic beverages as a gift or donation for any government function or affair.” For the year ending September 30, 2005, GVB’s independent financial auditors issued a management letter citing that alcoholic beverages were purchased despite a prohibition to purchase alcoholic beverages by P.L. 27-152. According to GVB management, the ban is specific to the use of public funds for the purchase of alcoholic beverages and the monies used in the questioned items were from donations and membership. We did not independently verify this claim.

In September 2005, P.L. 28-68 exempted GVB from the prohibition to expend public funds for the purchase of alcoholic beverages.

During our review, it became apparent that the programmatic problems associated with GVB’s credit cards were due to the lack of internal controls. In four other credit card program audits,²⁰ OPA found that the lack of substantive controls resulted in waste, abuse, misuse, and in some cases, fraud. As such, OPA, in principle, is opposed to the use of government credit cards. In a preliminary meeting held on October 6, 2006 to discuss the findings of the audit, the General Manager stated that eliminating the use of credit cards will place undue burden on GVB staff. The General Manager stated that many unforeseen expenditures arise (i.e., excessive promotional paraphernalia necessitating the need to rent a van; repair/replacement of equipment necessary for the campaign) during promotional events, and requiring the staff to shoulder the costs is unacceptable. Due to the nature of GVB’s operations, we will take an exception to their use of credit cards, provided that control measures to provide reasonable assurance of accountability over credit cards are implemented and enforced.

We recommend that the use of credit cards be limited to off-island marketing campaigns, specifically for unforeseen and emergency expenditures while on travel.

- Expenses normally covered by per diem allowances such as lodging, meals, and incidental expenses should not be charged to the credit cards;
- Expenses incurred beyond the per diem allowance issued should be regarded as an expense reimbursable only (1) upon receipt of supporting documentation, (2) review as to the business and public purpose of the expenses, and (3) approval;

²⁰ Guam Mass Transit Authority, Guam International Airport Authority, Guam Economic Development and Commerce Authority, and Guam Housing and Urban Renewal Authority.

- Expenses associated with local marketing campaigns, as well as the procurement of supplies, equipment, and services necessary to GVB's operations should be processed and paid for by the accounting department and not charged to the credit cards; and
- Expenses associated with entertaining business associates should not be charged to the credit cards. Local entertainment expenses should be authorized and paid through government purchase orders. Off-island entertainment expenses should be regarded as a reimbursable expense consistent with expenses incurred beyond per diem allowances issued.

We further recommend that the Board draft a comprehensive credit card policy. At a minimum, the policy should identify and authorize responsible officials; set clear limits for credit card use; define allowable purchases; specify reporting requirements; require review, reconciliation, and approval of credit card charges; and provide for training on proper conduct. See discussion on Inadequate Credit Card Policy.

On October 24, 2006, the General Manager issued Management Directive 2007-002 immediately effectuating a new credit card policy. Provisions of the credit card policy include authorization, authorized uses of the credit card, reporting, accountability, review, and approval.

However, a key component of effective internal controls is consistency in practice. As noted in the report, programmatic problems that exist in GVB are largely due to the inconsistencies in practices, which is partly attributable to the frequent changes in GVB management. As noted, management directives issued in the past may conflict with previous directives or may be inconsistent with established policies. As such, we recommend that the new credit card policy be presented to the board for approval and adopted as part of standard operating procedures.

Other Issues

Inconsistent Compensation of Performers and Pageant Winners

For fiscal years 2001 through 2004, 136 TAs were issued for performers and pageant winners to participate in overseas promotional events. Total expenses associated with their participation are \$473,139.

We noted inconsistencies in the manner in which the performers were compensated. For example:

- In four occasions in 2001, an unknown number of cultural performers traveled to Japan for four days. The group received \$4,224 for transportation, 50% of per diem or \$2,100, \$3,600 for room and board, and \$700 for miscellaneous allowances;
- In 2002, a group of 15 cultural performers traveled to Taiwan for 21 days. The group received \$6,550 for transportation and received nothing more;
- In 2001, an unknown number of cultural performers traveled to Japan for four days. The group received \$4,224 for transportation, \$4,200 in per diem and \$700 in miscellaneous allowances; and

- In 2004, an unknown number of performers traveled to Hong Kong for four days. The group received \$2,427 for transportation and full per diem allowance of \$4,200.

The absence of objective criteria as to when and how performers should be compensated (i.e., provide per diem and/or professional fees) can subject GVB to political influence and can spawn preferential treatment of certain individuals or groups. We recommend that the GVB's management draft for Board approval, a policy that will standardize the compensation of performers, entertainers, and pageant winners.

In the preliminary discussion of the audit findings with GVB officials, we were provided with a schedule of payments by artistic discipline. This schedule was not provided to us when we requested for their guidelines as to how performers and pageant winners were compensated.

Absence of a Gift-Exchange Policy

GVB's operations involve hosting visiting delegations and vice versa. In the course of these events, gifts are often exchanged. We found that GVB has neither a gift-exchange policy nor disclosure requirements.

During our review of credit card transactions, we noted that the credit cards were utilized to purchase gifts for hosts and visitors. GVB officials also informed us that it is customary for the Bureau to purchase gifts for hosts and visitors and that the values of such gifts are determined by GVB management and the marketing department based on the status/position of the recipient. Examples of gifts customarily given include gift baskets, local art, cookies and, prior to the prohibition on the use of government funds for alcohol purchases, wine.

Gift items purchased at various local retailers totaled \$2,303, of which \$1,907 was spent at Duty Free Shoppers (DFS). A breakdown of the purchases per individual follows:

Table 7: Duty Free & Gift Expenses

| | |
|-------------------------------------|-----------------|
| Deputy General Manager (- 2003) | \$ 773 |
| Marketing Officer II | \$ 557 |
| General Manager (1999 - 2003) | \$ 263 |
| Marketing Officer II | \$ 248 |
| Marketing Manager | \$ 132 |
| Cultural Heritage Officer | \$ 126 |
| Marketing Officer II | \$ 123 |
| Marketing Officer II | \$ 82 |
| Total | \$ 2,303 |

Note: Totals may not add up due to rounding.

Some of the gift items purchased with GVB cards appear excessive and may be inappropriate. Examples include the following DFS purchases by the former Deputy General Manager that could be considered excessive and potentially an inappropriate use of public funds:

- A \$460 Gucci item; and
- A \$220 Hermes item.

The only documentations on file for these purchases were receipts and a notation that they were for a high level foreign official. We found no other evidence to conclude that the items were given to the intended recipient and not kept for personal use.

With regard to the management of public money, 5 G.C.A. § 7102 states:

Any such officer, agent, contractor, or employee shall discharge his duties with the care, skill, prudence, diligence under the circumstances then prevailing that a prudent person acting in like capacity...would use in the conduct of an enterprise of like character with like aims.

Government of Guam Disclosure Requirements

4 G.C.A. § 15201 states that “[n]o employee shall solicit, accept, or receive, directly or indirectly, any gift valued singly or in the aggregate from a single source in excess of \$200, whether in the form of money, prize, service, loan, travel, entertainment, hospitality, thing or promise, or in any other form...” In the event that an employee receives gift or gifts in excess of \$200 in a calendar year, the employee must file with the Guam Ethics Commission a disclosure statement to include:

1. A description of the gift;
2. A good faith estimate of the value of the gift;
3. The date the gift was received; and
4. Identification of the person giving the gift.

We recommend GVB management develop a gift-exchange policy for Board approval consistent with 4 G.C.A. § 15201. The policy should incorporate the disclosure requirement under Guam Law. The guidelines should also identify who are authorized to purchase gifts and establish a tier of gift values appropriate for the recipient's status/position, provide for adequate documentation and description of purchases, identification of the person giving the gift, and proof (i.e., photographs) that the intended recipient received the gift.

As of our preliminary discussion with GVB officials, GVB was in the process of developing a schedule of gifts that may be presented to "individuals, locals and overseas markets, who positively affect Guam's tourism industry." A copy of the draft was provided to us.

Conclusions

Travel Activities and Charges

Although GVB has an established Travel Policy, GVB management did not enforce it. Additionally, GVB's practices are inconsistent with its own Travel Policy. According to the Marketing Officer, new employees "have not seen the Travel Policy." The failure to inform current and new employees on Bureau policies contributes to the inconsistent practices and continued noncompliance.

GVB did not hold travelers accountable for the use of government funds. GVB has a poor record-keeping system and its accounting department was unable to provide the total amount of travel-related costs. We found no evidence of Board approval for some travel programs/events and that individuals sometimes traveled without an approved TA.

Results of our audit indicated that GVB management did not ensure that individual expense and marketing reports were submitted and reviewed by an appropriate approving official. The review process should include validating expenses, ensuring adequate documentation of expenditures and reconciling the expenses to amounts authorized in TAs. Variances between the budget/ authorized amounts and actual expenditures should be explained.

GVB's documentation and filing system is cumbersome and difficult to review. The files are unorganized and filing methods are inconsistent. Travel-related documents (i.e., travel authorizations and corresponding trip/expense reports) are not maintained in a single location, but are dispersed among various departments.

GVB's accounting department recorded per diem allowances provided to travelers as direct expenses instead of recording them as accounts receivables. This practice is not consistent with those of other government of Guam agencies and Section 1712 of Guam's Travel and Transportation Manual.

Credit Card Usage and Charges

It was apparent during our review of GVB's credit card program that programmatic problems exist due to the lack of internal controls. In prior audits of four other of government credit card programs, OPA found that the lack of substantive controls resulted in waste, abuse, misuse, and in some cases, fraud. As such, OPA, in principle, is opposed to the use of government credit cards. However, in a preliminary meeting to discuss the findings of the audit, the General Manager stated that eliminating the use of credit cards will place undue burden on the staff. According to the General Manager, many unforeseen expenditures arise during promotional events.²¹ Due to the factors associated with the nature of GVB's operations, we will take an exception to their use of the credit cards.

²¹ For example, an equipment essential to a trade show breaks and needs to be replaced immediately.

Other Issues

Inconsistencies exist in the compensation of performers and pageant winners who participated in overseas promotional events.

The absence of a well-established and reasonable gift-exchange policy resulted in credit card charges totaling \$2,309 for excessive gift items purchased from various local retailers, which may be inappropriate uses of public funds.

Questioned Costs

As outlined in Appendix 1, the results of our audit identified a total of \$245,332 of questioned costs related to travel activities and credit card usage.

Recommendations

Recommendations to the Guam Visitors Bureau Management:

1. Limit the use of credit cards to off-island marketing campaigns, unforeseen expenditures, and in emergency situations while on travel.
2. Modify existing travel-related policies to:
 - a. Require GVB compliance with the Guam Travel and Procurement Laws;
 - b. Record per diem allowances as receivables until the traveler complies with all reporting and documentation requirements and the expense report has been reviewed and approved by an appropriate reviewing authority;
 - c. Ensure consistency as to the form of marketing reports; and
 - d. Restructure its review process, appoint specific reviewing authorities, and segregate duties to ensure an objective review process. GVB management should provide for a realistic span of control in order to ensure timely and thorough review of reports (marketing, expense, entertainment, etc).
3. Implement a centralized filing system to ensure that all documentations relevant to travel funding request, such as the Board approval, travel authorizations issued, marketing reports and individual expense/training reports supported by receipts or other documentation are easily and readily accessible by anyone wishing to review them.
4. Develop an appropriate gift-giving policy for Board approval. The policy should, at a minimum, define individuals who can give/receive gifts and establish a tier of appropriate values for the different classes (i.e., based on position, rank) of recipients.
5. Establish and obtain Board approval of a uniform compensation system for performers, entertainers, and pageant winners.

Management's Response and OPA Reply

We met with GVB officials on October 6, 2006 to discuss the draft report transmitted on October 2, 2006. On October 19, 2006, GVB requested and was granted a one-week extension to submit their response. On October 27, 2006, the General Manager submitted a 4-page response indicating partial concurrence and requested and was granted an additional two weeks to provide additional documents. The General Manager acknowledged that “many of the findings in the report were due to serious flaws in our filing system and the travel policy upon which the audit was based.”

As a result of our review of additional documents on November 7 and 8, 2006, the findings did not change; however, the questioned cost has been adjusted by \$5,198 from \$250,530 to \$245,332. These adjustments are incorporated in the appropriate sections of this report.

Summary of Responses to the Results of Audit and Various Findings

1. **Failure to Enforce Travel Policy.** The General Manager disagreed with this finding although overall, our report indicated significant non-compliance to the policy. He indicated that we are inaccurate in inferring that management completely abandoned its fiduciary responsibility to administer the policy, but also acknowledged that the Travel Policy is not uniformly and consistently applied throughout the organization.
2. **Approval Process Not Followed.** Of the 26 travel programs not available for review, GVB was able to provide evidence of Board approval for one travel program/event. The report was modified accordingly.
3. **Unknown Credit Card Charges.** GVB provided additional documentations for \$3,461 of the \$11,579 in unknown charges. The questioned cost in this area was reduced to \$8,118. The report was modified accordingly.
4. **Failure to Submit Individual Expense Reports.** GVB was only able to provide two additional expense reports. The report was modified accordingly.
5. **Incomplete Marketing Reports.** The documents provided did not contain all the reporting elements specified in their Travel Policy.
6. **Unauthorized Travel-related Credit Card Charges.** No additional documents were provided for our subsequent review.
7. **Credit Card Charges In Excess of Allowable Per Diem.** The General Manager claimed that “inaccurately compared per diem for one (1) delegate to total expenses for two travelers” in an occurrence involving the Marketing Manager. The General Manager stated that charges include “expenses for booth furnishings,

transportation of booth materials/collateral to the event and hotel accommodations for two (2) travelers.” The questioned cost for this finding area was adjusted by \$1,737. With the exception of this example, GVB did not provide additional documentations for our review.

8. **Unauthorized Local Charges.** No additional documents were provided for our subsequent review.
9. **Inadequate Documentation of Entertainment Expenses.** The General Manager concurred with the finding and indicated that “GVB has since realigned such duties and responsibilities as collateral responsibilities for existing personnel to ensure immediate results.”
10. **Inadequate Credit Card Policies.** The General Manager concurred with the finding and indicated that a Credit Card Policy has since been instituted to address the systemic weaknesses identified in the report. A copy of Management Directive 2007-002 dated October 24, 2006, which included provisions for authorization, authorized uses of the credit card, reporting, accountability, review, and approval has since been provided to us.
11. **Poor Record Keeping.** The General Manager concurred with the finding and stated that structural changes to the accounting system have been made. We were provided with Management Directive 2007-003 dated November 6, 2006 advising Managers and Supervisors that refinements to the chart of accounts have been made to address additional reporting requirements of the GVB.
12. **Inconsistent Compensation of Performers and Pageant Winners and Absence of a Gift-Exchange Policy.** The General Manager disagreed with this finding and indicated that a fee/rate schedule has been uniformly and consistently applied. Although requested during our audit, this was not provided to us until our subsequent review. However, our finding still stands as these performers and pageant winners were inconsistently paid not only fees, but off-island expenses as well (i.e.: full per diem, partial per diem, and/or honorarium).

We were provided with a draft gift-giving rate schedule on October 6, 2006.

13. **Disclosure Requirements – Gift Receiving.** GVB’s General Manager concurred with the finding and indicated a draft policy is expected to be completed by the end of November 2006.

From the initial delivery of the audit report, on October 2, 2006, GVB had over five weeks to respond to the audit findings and recommendations. The General Manager was apprised of the results of our subsequent review on November 8, 2006. On November 9, 2006, the General Manager submitted a supplement to his initial response and generally concurred with the findings and recommendations of the audit report. See Appendix 11 for the General Manager’s response.

The Office of the Public Auditor requires agencies to submit an action plan to implement audit recommendations within six months after report issuance, or by May 31, 2007. We will be contacting the General Manager to provide the target date and title of the official(s) responsible for implementing the recommendation.

We appreciate the cooperation shown by the Guam Visitors Bureau.

OFFICE OF THE PUBLIC AUDITOR



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1

Classification of Monetary Impact

| FINDING AREA | QUESTIONED COST ¹ | | Total |
|---|--------------------------------|-------------------------------------|--------------------------|
| | Unsupported Costs ² | Other Costs Exceptions ³ | |
| Travel | | | |
| Poor Record-Keeping | \$ - | \$ - | \$ - |
| Failure to Enforce Travel Policy | - | - | - |
| Approval Process Not Followed | - | - | - |
| Failure to Submit Individual Expense Reports | - | - | - |
| Incomplete Marketing Reports | - | - | - |
| <i>Subtotal Travel</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Credit Card | | | |
| Unknown Credit Card Charges | \$ 8,118 | | \$ 8,118 |
| Unauthorized Travel-related Credit Card Charges | - | 32,512 | 32,512 |
| Unreconciled Off-island Credit Card Charges | 4,316 | - | 4,316 |
| Credit Card Charges in Excess of Allowable Per Diem | - | 138,403 | 138,403 |
| Unauthorized Local Charges | 30,227 | - | 30,227 |
| Expenditure Reporting | | | - |
| No Expense Report Filed | 28,525 | - | 28,525 |
| Expense Report Not Approved | 1,049 | - | 1,049 |
| Expense Not Included in Expense Report | 150 | - | 150 |
| No Supporting Documentation Filed with Expense Report | 2,031 | - | 2,031 |
| <i>Subtotal Credit Card</i> | <u>\$ 74,417</u> | <u>\$ 170,915</u> | <u>\$ 245,332</u> |
| Other Issues | | | |
| Poor Documentation System | \$ - | \$ - | \$ - |
| Inadequate Documentation of Entertainment Expenses | - | - | - |
| Inconsistent Compensation of Performers and Pageant Winners | - | - | - |
| Absence of a Gift-Exchange Policy | - | - | - |
| <i>Subtotal Other Issues</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL QUESTIONED COST | <u>\$ 74,417</u> | <u>\$ 170,915</u> | <u>\$ 245,332</u> |

1 - Expenditures which the auditor determines should be questioned.

2 - Expenditures that may be allowable, but accounting records did not provide adequate support for the costs.

3 - Expenditures that the auditor has determined are unallowable or otherwise improper based on available legal criteria.

Scope and Methodology

The audit was conducted on all credit card transactions and travel activities for a 48-month period from October 1, 2000 through September 30, 2004. The audit methodology included reviewing applicable laws and regulations, gaining an understanding of policies and procedures, and conducting interviews to determine the Bureau's practices. Additionally, best practices from other entities, particularly federal government entities, with like programs were identified and referenced.

GVB's accounting department was unable to provide the total travel-related costs. Based on the TA log provided by GVB, we determined that 632 TAs were issued to 235²² persons for approximately 2,736 days of travel from fiscal years 2001 through 2004. GVB could not account for approximately 145, or 23% of the TAs listed in the log.

We judgmentally selected 37 travel programs/events consisting of 272 TAs to determine compliance with established policies. Five projects with the highest number of travelers and those deemed high risk or unusual were selected from each of the fiscal years in the audit scope. However, our testing was limited to 12 travel programs/events and 207 TAs, because GVB was unable to provide records for 25 travel programs/events and 65 TAs. Testing was conducted for authorization, approval, documentation and compliance with reporting requirements.

We compiled a database of credit card charges and determined that for fiscal years 2001 through 2004, GVB cardholders incurred \$386,636 in credit card transactions: \$35,702 locally, \$335,707 off-island, \$7,108 in various bank charges, and \$8,118 in indeterminable transactions.

Two hundred fifty-two (252) credit card charges totaling \$218,511 were judgmentally selected for detailed review. For each fiscal year in the audit scope, credit card transactions for the three months with the highest totals were selected for detailed audit testing. The procedures conducted follows:

- Off-island credit card charges were tested to determine whether the cardholder was on approved travel status at the time of the purchase and whether the credit card charges were made in addition to per diem allowance received.
- Local credit card purchases were examined to determine whether the charges were authorized.
- All credit card charges selected for sampling were examined to determine whether the expense was reported, reviewed and supported with receipts or invoices.
- Procurement-related transactions were reviewed to determine whether they were competitively and properly procured.

²² GVB's records did not always indicate how many persons were covered by a TA issued to a group. For our purposes, TAs issued to groups were treated as an individual and the actual number of travelers might have been greater.

Scope and Methodology

Other issues observed in the conduct of the testing discussed, to include, such as the comparison of expenditures and visitor arrivals, but were not integral to the audit, were reviewed and presented in the report accordingly.

Our audit was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, we obtained an understanding of internal controls of the GVB. Testing of records and other auditing procedures considered necessary were conducted under applicable circumstances.

Prior Audit Coverage

Office of the Public Auditor

OPA Report No. 102-12-00, the Performance Audit of the Guam Visitor's Bureau issued on December 2000, revealed no specific findings related to credit cards. However, the audit cited travel-related findings to include: high frequency of travel by large delegations; not exercising financial prudence when traveling to participate in promotions; and increased travel costs as a result of the Board's participation in marketing trips.

The General Manager of GVB did not agree with the findings. In the December 2000 response, the General Manager addressed the following travel-related findings and recommendations:

1. **The Board delegate authority for approving marketing promotion trips to the GM.** The response indicated that that management preferred to keep its current policy in place, where the Board approves (subsequent to management recommendation of and review by appropriate committees) proposed promotional trips, because costs often exceed amounts that senior management is authorized to approve.
2. **The GM limit the number of travelers to a particular destination to the absolute minimum necessary to complete the mission.** The response indicated that senior management had always recommended that necessary appropriate staff travel to overseas events and will continue to do so.
3. **The GM ensure a bona-fide need to participate in off-island marketing events before approving travel.** The response indicated that all overseas marketing events are bona-fide.
4. **The Board limit member travel on marketing trips.** The response indicated that the Board had always limited its members from traveling and will continue to do so.
5. **The GM ensure that the marketing and research staff develop a method to effectively and objectively measure benefits anticipated and received from off-island promotional trips.** The response indicated that event effectiveness is measured through its advertising, public relations, and sales promotion agencies and will continue to do so.

Prior Audit Coverage

Financial Audits

Fiscal Year 1999.

GVB's independent financial auditors issued a management in conjunction with the independent audit letter pointing out that despite affidavits substantiating expenses, original receipts for certain credit card expenses were not located.

Fiscal Year 2000.

GVB's independent financial auditors issued a management letter in conjunction with the financial audit citing instances where original receipts for expenses could not be located. Additionally, it was noted that a personal charge was made with the credit cards and therefore was not paid by GVB. Although GVB eventually received payment from the employee, the amount was left unpaid for several months thereby accruing finance charges.

Fiscal Year 2000.

GVB's independent financial auditors issued a management letter in conjunction with the financial audit citing that despite affidavits supporting charges, GVB did not provide supporting receipts/invoices for expenses. This finding is a repeat from the management letter issued in conjunction with the FY 1999 financial audit.

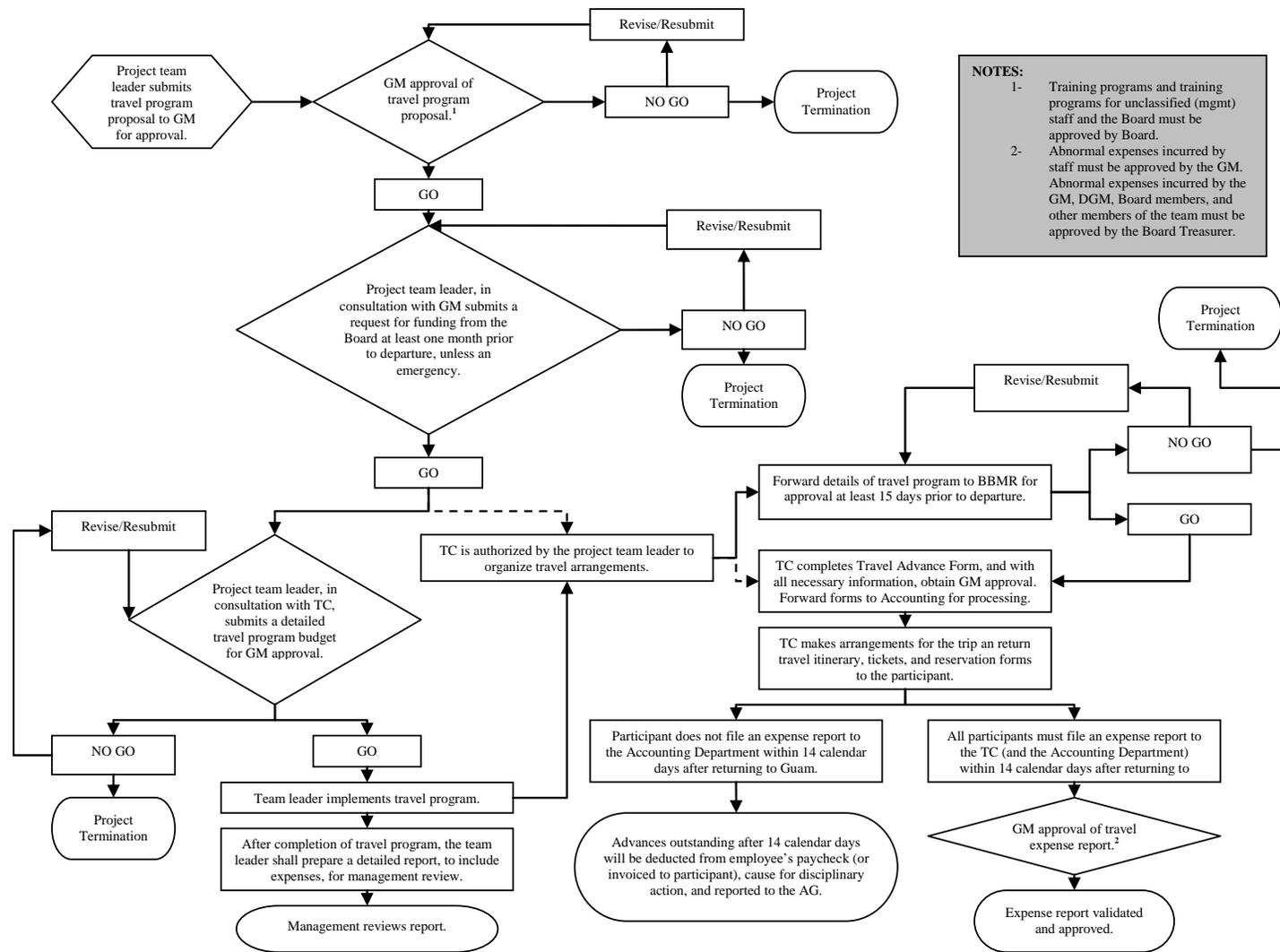
Appendix 4

Comparison: Expenditures v. Visitor Arrivals

| Country | 2001 | | 2002 | | 2003 | | 2004 | | Grand Total | | | |
|--------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|---------------------------|------------------|------------------------|------------------|
| | Travel Expenditures | Visitor Arrivals | Total Travel Expenditures | % of Grand Total | Total Visitor Arrivals | % of Grand Total |
| Japan | \$ 232,871 | 901,536 | \$ 179,151 | 751,506 | \$ 81,962 | 606,100 | \$ 123,079 | 897,046 | \$ 617,064 | 59.56% | 3,156,188 | 78.18% |
| Korea | \$ 34,342 | 89,655 | \$ 51,339 | 121,185 | \$ 24,892 | 94,429 | \$ 33,408 | 92,559 | 143,981 | 13.90% | 397,828 | 9.85% |
| Taiwan, ROC | \$ 18,271 | 31,539 | \$ 12,553 | 21,317 | \$ 1,403 | 17,576 | \$ 32,860 | 24,471 | 65,086 | 6.28% | 94,903 | 2.35% |
| United States | \$ 28,328 | 41,875 | \$ 7,775 | 40,092 | \$ 7,066 | 41,878 | \$ 6,372 | 44,792 | 49,540 | 4.78% | 168,637 | 4.18% |
| Pacific Islands | \$ 12,701 | 36,560 | \$ 1,625 | 32,168 | \$ 531 | 31,107 | \$ 2,896 | 31,864 | 17,753 | 1.71% | 131,699 | 3.26% |
| Philippines | \$ 9,082 | 5,697 | \$ 3,704 | 6,427 | \$ - | 6,381 | \$ 4,773 | 7,135 | 17,559 | 1.69% | 25,640 | 0.64% |
| Australia | \$ 5,300 | 1,724 | \$ - | 1,703 | \$ - | 1,900 | \$ - | 2,663 | 5,300 | 0.51% | 7,990 | 0.20% |
| Canada | \$ - | 670 | \$ - | 1,424 | \$ - | 547 | \$ - | 582 | - | 0.00% | 3,223 | 0.08% |
| Europe | \$ - | 1,312 | \$ - | 1,361 | \$ - | 1,361 | \$ - | 1,432 | - | 0.00% | 5,466 | 0.14% |
| Hong Kong | \$ 19,933 | 9,174 | \$ 31,000 | 8,893 | \$ - | 5,054 | \$ 20,758 | 5,150 | 71,690 | 6.92% | 28,271 | 0.70% |
| Nauru | \$ - | 89 | \$ - | 14 | \$ - | 6 | \$ - | 14 | - | 0.00% | 123 | 0.00% |
| Thailand | \$ - | 272 | \$ - | 242 | \$ - | 219 | \$ 3,753 | 272 | 3,753 | 0.36% | 1,005 | 0.02% |
| China, PRC | \$ 2,164 | 868 | \$ 10,431 | 1,284 | \$ 4,360 | 733 | \$ 7,934 | 827 | 24,889 | 2.40% | 3,712 | 0.09% |
| Vietnam | \$ - | 26 | \$ - | 53 | \$ - | 27 | \$ - | 38 | - | 0.00% | 144 | 0.00% |
| Other | \$ 17,830 | 3,201 | \$ - | 2,941 | \$ 1,543 | 2,832 | \$ - | 3,386 | 19,373 | 1.87% | 12,360 | 0.31% |
| Grand Total | \$ 380,822.73 | 1,124,198 | \$ 297,576.83 | 990,610 | \$ 121,756.61 | 810,150 | \$ 235,830.92 | 1,112,231 | \$ 1,035,987 | 100.00% | 4,037,189 | 100.00% |

Note: Totals may not add up due to rounding.

GVB Travel Policy Flowchart



NOTES:
 1- Training programs and training programs for unclassified (mgmt) staff and the Board must be approved by Board.
 2- Abnormal expenses incurred by staff must be approved by the GM. Abnormal expenses incurred by the GM, DGM, Board members, and other members of the team must be approved by the Board Treasurer.

Best Practices

Internal Control

An effective internal control structure includes elements of accounting system, control policies and procedures, and control environment.²³ Accounting systems should be designed to meet information needs and must incorporate periodic preparation of financial reports. Policies and procedures must be established “to ensure the integrity of the data in the accounting system and to ensure that assets are protected against loss and misuse.”

The following are characteristics of an effective internal control environment:

- Management is aware of the importance of internal controls and communicates this importance to [all] employees at all levels;
- The [agency] has a rational and well-defined organizational structure that clearly assigns responsibility and accountability to individual employees;
- Sound personnel policies and practices are in place;
- Management actively monitors operations and investigates discrepancies between actual performance and anticipated results; and
- The governing body [i.e., GVB Board] oversees management on a continuing basis.

For accounting systems and control policies and procedures to be effective, all employees must see them as an “essential and integral part of the process of providing services to citizens.” Management must take an active role in setting the tone, educating all employees of the purpose and importance of the control procedures, and provide resources to ensure that the control structure is established and properly maintained. GVB had two general managers during the four-year period included in our review. Employees who have been with GVB for a number of years stated that the differences in management style and philosophy varied with each general manager, and as a result, management directives issued did not always conform to previous directives and/or established policies and procedures. When this occurred, employees became confused. Therefore, adherence to established policies and procedures are essential to ensuring continuity and consistency in practices.

Review and Approval

We noted that the review responsibility for the requirements set forth in GVB’s Travel Policy is to be conducted by the General Manager or his/her representative. While this is ideal in theory, it may be problematic in reality. Inundating one person with all reviewing and approving responsibilities is not practicable and often results in perfunctory review and approval.

²³ Government Finance Officers Association of the United States and Canada. An Elected Official’s Guide to Internal Controls and Fraud Prevention by Stephen J. Gauthier. June 1994.

Best Practices

To minimize the risk of perfunctory review and approval, GVB management should consider appointing appropriate reviewing authorities to provide a realistic span of control. For example, the U.S. General Services Administration recommends that the ratio of reviewing officials to individuals not exceed 1:7.²⁴

The review process should also ensure objectivity. Approving officials should not review their own reports and such reports should be reviewed by an individual in a higher position. For example, reports submitted by the General Manager and senior management should be reviewed by the Board, not by subordinates.

²⁴ On the premise that each individual engages in six to seven transactions per month.

Appendix 7

Unknown Credit Card Charges

| Card Holder | Transaction Date | Description | Location | Amount |
|---|------------------|----------------------------|---------------|-----------------|
| Administrator, Research & Evaluation | 11/21/00 | Corp Intl on Retail | London | \$ 442 |
| | 11/23/00 | E.I.U. Asia Pacific | Mail Order | \$ 1,700 |
| | 12/06/00 | Fandom Shop | Virginia | \$ 21 |
| | 05/09/01 | Filemaker Inc. | California | \$ 261 |
| | 03/29/02 | NetCommerce LLC | California | \$ 124 |
| | 09/16/03 | VUE Testing/Train SVC | Minnesota | \$ 220 |
| | | Subtotal | | \$ 2,768 |
| Marketing Officer II | 11/30/00 | Gankozushi Dotonborite | Japan | \$ 201 |
| | 02/24/01 | Jikusu | Japan | \$ 636 |
| | 02/26/01 | Ana Shoji Store Sales | Japan | \$ 44 |
| | 02/06/04 | JR Hokkaido Green | Japan | \$ 110 |
| | | Subtotal | | \$ 989 |
| Deputy General Manager (- 2003) | 10/23/00 | Phalco | New Caledonia | \$ 426 |
| | 11/14/00 | Phalco | New Caledonia | \$ 434 |
| | 12/18/02 | Rexall Drugs Tamuning | Guam | \$ 55 |
| | | Subtotal | | \$ 915 |
| Marketing Manager | 05/02/02 | Ashoka Korea Co. Ltd. | Korea | \$ 85 |
| | 05/03/02 | C (Seoul) | Korea | \$ 33 |
| | 03/24/04 | Reservation Express Ltd. | Hong Kong | \$ 662 |
| | | Subtotal | | \$ 779 |
| Cultural Heritage Officer | 12/09/00 | Sumiyakisakai Sakaesan | Japan | \$ 108 |
| | 11/30/01 | Royal Hukuokasi | Japan | \$ 265 |
| | 05/03/04 | Kosumosukueakokusai | Japan | \$ 406 |
| | | Subtotal | | \$ 779 |
| Marketing Officer II | 06/18/01 | International Trade | Washington DC | \$ 100 |
| | 06/04/03 | Kenimaen Co. Ltd. | Korea | \$ 156 |
| | 01/28/04 | SF Plaza | Korea | \$ 445 |
| | 02/08/04 | Marina | Philippines | \$ 35 |
| | | Subtotal | | \$ 735 |
| General Manager (1995 - 1998; 1999 - 2003) | 08/28/01 | Bitsukukamera Yurakuch | Japan | \$ 45 |
| | 09/09/01 | GMT Co Ltd Ulaanbaatar | Mongolia | \$ 200 |
| | 09/10/01 | GMT Co Ltd Ulaanbaatar | Mongolia | \$ 247 |
| | | Subtotal | | \$ 492 |
| Marketing Officer II | 01/24/01 | Brennan Inc | California | \$ 374 |
| | 01/24/01 | Brennan Inc | California | \$ 43 |
| | 05/12/01 | Navy Exchange Port Hueneme | California | \$ 11 |
| | 05/04/02 | Palikrasaonghang | Korea | \$ 10 |
| | | Subtotal | | \$ 438 |
| Marketing Officer II | 05/24/02 | FDC New Orleans | Louisiana | \$ 204 |
| | | Subtotal | | \$ 204 |
| Marketing Officer II | 12/23/01 | Saty Sapporo | Japan | \$ 18 |
| | | Subtotal | | \$ 18 |
| | | TOTAL | | \$ 8,118 |

Note: Totals may not add up due to rounding.

Appendix 8

Off-Island Charges Without Approved TAs

| Card Holder | Transaction | | Location | Amount |
|-------------------------------------|-------------|---------------------------|-----------------|------------------|
| | Date | Description | | |
| Marketing Officer II | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 566 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 424 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 707 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 848 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 2,356 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 1,272 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 1,008 |
| | | | Subtotal | \$ 7,182 |
| General Manager (1999 - 2003) | 11/24/01 | Northwest Airlines | Minnesota | \$ 2,067 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 2,460 |
| | 12/03/01 | Northwest Airlines | Minnesota | \$ 568 |
| | 12/03/01 | Northwest Airlines | Minnesota | \$ 568 |
| | 12/03/01 | Northwest Airlines | Minnesota | \$ 1,445 |
| | | | Subtotal | \$ 7,109 |
| Cultural Heritage Officer | 11/29/01 | Tokyo Bay Ariake Washi | Japan | \$ 24 |
| | 12/03/01 | Tokyo Bay Ariake Washi | Japan | \$ 209 |
| | 07/30/04 | Palau Pacific Resort | Palau | \$ 6,694 |
| | | | Subtotal | \$ 6,927 |
| Marketing Manager | 11/07/01 | Seoul Hilton Hotel | Korea | \$ 3,918 |
| | 12/13/03 | Hyatt Saipan | Saipan | \$ 177 |
| | 12/19/03 | Hyatt Saipan | Saipan | \$ 156 |
| | 12/19/04 | Hyatt Giovanni/Teppahy | Saipan | \$ 100 |
| | | | Subtotal | \$ 4,351 |
| Marketing Officer II | 11/22/01 | Continental Airlines | Texas | \$ 1,709 |
| | 11/22/01 | Continental Airlines | Texas | \$ 613 |
| | 12/03/01 | Hotel Grand Pacific Tokyo | Japan | \$ 1,220 |
| | | | Subtotal | \$ 3,542 |
| Deputy General Manager (- 2003) | 03/26/01 | Ruby Restaurant | Washington DC | \$ 70 |
| | 03/23/01 | Georgetown Seafood Grill | Washington DC | \$ 211 |
| | 03/29/01 | Avis Rent-A-Car | Washington DC | \$ 883 |
| | 11/27/01 | Aqua City Odaiba Minatoku | Japan | \$ 135 |
| | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 715 |
| | | | Subtotal | \$ 2,015 |
| Public Information Officer | 12/02/01 | Hotel Grand Pacific Tokyo | Japan | \$ 786 |
| | | | | Subtotal |
| Marketing Officer II | 11/23/01 | Continental Airlines | Texas | \$ 600 |
| | | | | Subtotal |
| | | | TOTAL | \$ 32,512 |

Note: Totals may not add up due to rounding.

Appendix 9

Unreconciled Off-Island Credit Card Charges

| Card Holder | Transaction | | Location | Amount |
|----------------------------------|------------------------|-------------------------------|--------------|---------------|
| | Date | Description | | |
| General Manager (1999 - 2003) | 03/30/01 | Continental Airlines | Texas | \$ 1,161 |
| | 03/30/01 | Continental Airlines | Texas | \$ 1,161 |
| | 04/01/01 | calif. Pizza kitchen | Phil | \$ 41 |
| | 04/01/01 | Wasabi bistro sake bar | Phil | \$ 66 |
| | 04/02/01 | Peninsula Manila | Makati, PI | \$ 97 |
| | 04/02/01 | Peninsula Manila | Makati, PI | \$ 556 |
| | 04/07/01 | Dusit Hotel Nikko | Makati, PI | \$ 504 |
| | 04/07/01 | Duty Free | Phil | \$ 123 |
| | 04/10/01 | Singapore | Sepang | \$ 489 |
| | 04/12/01 | Marriot Hotel | Kuala Lumpur | \$ 5,742 |
| | 04/13/01 | Intercontinental Hotel | Makati, PI | \$ 969 |
| | | Subtotal | \$ | 10,912 |
| Marketing Officer II | 04/14/01 | Grand Hyatt Taipei | Taiwan | \$ 797 |
| | 04/14/01 | Grand Hyatt Taipei | Taiwan | \$ 629 |
| | 04/16/01 | Grand Hyatt Taipei | Taiwan | \$ 1,082 |
| | 06/06/01 | Marriott Hong Kong | Hong Kong | \$ 2,808 |
| | 06/09/01 | Renaissance Harbour Hong Kong | Hong Kong | \$ 1,114 |
| | 02/11/02 | Edsa Shangri-La Hotel | Philippines | \$ 1,292 |
| | | Subtotal | \$ | 7,722 |
| Marketing Manager | 03/20/01 | Outrigger Majuro Resort | Majuro | \$ 401 |
| | 04/03/01 | Outrigger Majuro Resort | Majuro | \$ 6 |
| | 04/11/01 | The Pan Pacific Hotel | Malaysia | \$ 186 |
| | 04/12/01 | The Pan Pacific Hotel | Malaysia | \$ 89 |
| | 06/07/01 | Colorpix Ltd-Convention | Hong Kong | \$ 13 |
| | 06/08/01 | Victoria City Seafood Wanchai | Hong Kong | \$ 89 |
| | 06/08/01 | Renaissance Harbour Hong Kong | Hong Kong | \$ 240 |
| | 06/09/01 | Renaissance Harbour Hong Kong | Hong Kong | \$ 1,520 |
| | 12/18/01 | Grand Hyatt Taipei | Taiwan | \$ 351 |
| | 02/06/03 | Taxi | Korea | \$ 61 |
| | 02/06/03 | Coexintercontinental Hotel | Korea | \$ 1,171 |
| | 04/30/03 | Freeman Deco | Chicago | \$ 222 |
| | 05/22/03 | Go Four, Inc | Missouri | \$ 40 |
| | 05/23/03 | Adams Mark Hotels | Missouri | \$ 1,028 |
| | 05/24/03 | Adams Mark Hotels | Missouri | \$ 1,234 |
| | 09/09/04 | Thai Hotels Association | Thailand | \$ 209 |
| | 09/14/04 | World Travel Service | Thailand | \$ 39 |
| | 09/22/04 | Seafood market & Restaurant | Thailand | \$ 62 |
| 09/23/04 | N.C.C. Image Co., Ltd. | Thailand | \$ 180 | |
| 09/24/04 | Savoey | Thailand | \$ 97 | |
| 09/25/04 | The Landmark Bangkok | Thailand | \$ 182 | |
| | | Subtotal | \$ | 7,420 |
| Cultural & Heritage Officer | 04/22/01 | Kobe Harborland | Japan | \$ 2,498 |
| | 06/10/01 | Renaissance Harbour Hong Kong | Hong Kong | \$ 2,614 |
| | | Subtotal | \$ | 5,112 |
| Marketing Officer II | 05/31/01 | Coexintercontinental Hotel | Korea | \$ 414 |
| | 01/26/02 | Coexintercontinental Hotel | Korea | \$ 929 |
| | 01/28/02 | Coexintercontinental Hotel | Korea | \$ 1,331 |
| | 01/28/02 | Coexintercontinental Hotel | Korea | \$ 932 |
| | | Subtotal | \$ | 3,606 |
| Marketing Officer II | 03/30/01 | Yokohama Washington Hotel | Japan | \$ 1,917 |
| | 04/02/01 | JTB | Japan | \$ 297 |
| | 09/20/04 | BIC Camera Yuurakuchou | Japan | \$ 839 |
| | | Subtotal | \$ | 3,054 |
| Marketing Officer II | 02/05/03 | Hotel Okura Tokyo | Japan | \$ 316 |
| | 02/05/03 | Hotel Okura Tokyo | Japan | \$ 62 |
| | 02/05/03 | Hotel Okura Tokyo | Japan | \$ 158 |
| | 02/07/03 | Hotel Nikko Osaka | Japan | \$ 520 |
| | | Subtotal | \$ | 1,056 |
| | | TOTAL | \$ | 38,882 |

Note: Totals may not add up due to rounding.

Credit Card Charges in Excess of Allowed Per Diem

Per Diem Rates:

A: Hawaii, San Francisco, New York, Washington D.C., Japan = \$175

B: Micronesia, CNMI = \$125

C: All other areas = \$150

Note: Director and Deputy Director of any department, the rates are 125% of basic per diem rates =125%

| Traveler | Location | A | B | C = A x B | D | E = D - C |
|-----------------------------|-------------|-----------------------|---------------------|----------------------------|---------------------------|---|
| | | Length of Travel * | Per diem rate | Per diem allowed by law | (Per diem) + (Charges) | Excess Over Per diem allowed by law |
| Marketing Officer II | Taiwan | 6 | C | \$ 900 | \$ 5,150 | \$ 4,250 |
| | Taiwan | 6 | C | \$ 900 | \$ 2,958 | \$ 2,058 |
| | Hong Kong | 4 | C | \$ 600 | \$ 4,521 | \$ 3,921 |
| | Philippines | 5 | C | \$ 750 | \$ 2,042 | \$ 1,292 |
| | China | 6 | C | \$ 900 | \$ 1,300 | \$ 400 |
| | Hong Kong | 5 | C | \$ 750 | \$ 1,174 | \$ 424 |
| | China | 6 | C | \$ 900 | \$ 708 | \$ (192) |
| | Florida | 8 | C | \$ 1,200 | \$ 1,081 | \$ (119) |
| | Korea | 5 | C | \$ 750 | \$ 5,940 | \$ 5,190 |
| | Korea | 3 | C | \$ 450 | \$ 1,984 | \$ 1,534 |
| | Korea | 2 | C | \$ 300 | \$ 3,750 | \$ 3,450 |
| | Philippines | 5 | C | \$ 750 | \$ 1,582 | \$ 832 |
| | Hong Kong | 2 | C | \$ 300 | \$ 396 | \$ 96 |
| | Korea | 4 | C | \$ 600 | \$ 1,602 | \$ 1,002 |
| | Hong Kong | 4 | C | \$ 600 | \$ 1,534 | \$ 934 |
| | Korea | 3 | C | \$ 450 | \$ 6,468 | \$ 6,018 |
| Korea | 3 | C | \$ 450 | \$ 7,642 | \$ 7,192 | |
| | | | | | Subtotal | \$ 38,282 |
| Cultural & Heritage Officer | Japan | 3 | C | \$ 450 | \$ 1,696 | \$ 1,246 |
| | Japan | 4 | A | \$ 700 | \$ 2,848 | \$ 2,148 |
| | Japan | 3 | A | \$ 525 | \$ 615 | \$ 90 |
| | Japan | 3 | A | \$ 525 | \$ 1,879 | \$ 1,354 |
| | Japan | 3 | A | \$ 525 | \$ 2,602 | \$ 2,077 |
| | Hong Kong | 3 | C | \$ 450 | \$ 3,064 | \$ 2,614 |
| | Japan | 3 | A | \$ 525 | \$ 590 | \$ 65 |
| | China | 6 | C | \$ 900 | \$ 2,521 | \$ 1,621 |
| | Japan | 4 | A | \$ 700 | \$ 4,434 | \$ 3,734 |
| | Japan | 6 | A | \$ 1,050 | \$ 8,079 | \$ 7,029 |
| | Korea | 6 | C | \$ 900 | \$ 2,529 | \$ 1,629 |
| Taiwan | 7 | C | \$ 1,050 | \$ 7,101 | \$ 6,051 | |
| Japan | 3 | A | \$ 525 | \$ 549 | \$ 24 | |
| | | | | | Subtotal | \$ 29,681 |

Note: Totals may not add up due to rounding.

Credit Card Charges in Excess of Allowed Per Diem

Per Diem Rates:

A: Hawaii, San Francisco, New York, Washington D.C., Japan = \$175

B: Micronesia, CNMI = \$125

C: All other areas = \$150

Note: Director and Deputy Director of any department, the rates are 125% of basic per diem rates =125%

| Traveler | Location | A | B | C = A x B | | D | E = D - C |
|----------------------------------|-------------|-----------------------|---------------------|----------------------------|---------------------------|---|-----------|
| | | Length of Travel * | Per diem rate | Per diem allowed by law | (Per diem) + (Charges) | Excess Over Per diem allowed by law | |
| Marketing Officer II | Hawaii | 6 | C | \$ 900 | \$ 2,257 | \$ 1,357 | |
| | Majuro | 4 | B | \$ 500 | \$ 912 | \$ 412 | |
| | Hawaii | 6 | C | \$ 900 | \$ 3,007 | \$ 2,107 | |
| | Korea | 5 | C | \$ 750 | \$ 864 | \$ 114 | |
| | Korea | 6 | C | \$ 900 | \$ 2,941 | \$ 2,041 | |
| | Australia | 6 | C | \$ 900 | \$ 1,340 | \$ 440 | |
| | Korea | 3 | C | \$ 450 | \$ 3,417 | \$ 2,967 | |
| | Korea | 6 | C | \$ 900 | \$ 1,241 | \$ 341 | |
| | Saipan | 3 | B | \$ 375 | \$ 564 | \$ 189 | |
| | Korea | 3 | C | \$ 450 | \$ 1,134 | \$ 684 | |
| | Korea | 2 | C | \$ 300 | \$ 3,747 | \$ 3,447 | |
| | Korea | 3 | C | \$ 450 | \$ 1,769 | \$ 1,319 | |
| | Las Vegas | 6 | C | \$ 900 | \$ 2,112 | \$ 1,212 | |
| | | | | | Subtotal | \$ 16,629 | |
| General Manager (1999 - 2003) | Japan | 6 | C | \$ 1,125 | \$ 2,528 | \$ 1,403 | |
| | Philippines | 6 | C | \$ 1,125 | \$ 2,871 | \$ 1,746 | |
| | Philippines | 6 | C | \$ 1,125 | \$ 7,779 | \$ 6,654 | |
| | Philippines | 3 | C | \$ 563 | \$ 1,324 | \$ 761 | |
| | Japan | 4 | A | \$ 875 | \$ 3,370 | \$ 2,495 | |
| | Japan | 3 | A | \$ 656 | \$ 2,541 | \$ 1,885 | |
| | Hong Kong | 11 | C | \$ 2,063 | \$ 1,428 | \$ (634) | |
| | | | | Subtotal | \$ 14,310 | | |
| Marketing Manager | Taiwan | 4 | C | \$ 600 | \$ 1,071 | \$ 471 | |
| | Hawaii | 6 | C | \$ 900 | \$ 2,092 | \$ 1,192 | |
| | Majuro | 4 | B | \$ 500 | \$ 906 | \$ 406 | |
| | Malaysia | 6 | C | \$ 900 | \$ 725 | \$ (175) | |
| | Hong Kong | 3 | C | \$ 450 | \$ 2,299 | \$ 1,849 | |
| | Taiwan | 4 | C | \$ 600 | \$ 951 | \$ 351 | |
| | China | 6 | C | \$ 900 | \$ 1,935 | \$ 1,035 | |
| | Korea | 6 | C | \$ 900 | \$ 1,571 | \$ 671 | |
| | Hong Kong | 5 | C | \$ 750 | \$ 834 | \$ 84 | |
| | Korea | 3 | C | \$ 450 | \$ 1,758 | \$ 1,308 | |
| | Kosrae | 3 | B | \$ 375 | \$ 690 | \$ 315 | |
| | Korea | 2 | C | \$ 300 | \$ 1,160 | \$ 860 | |
| | Florida | 8 | C | \$ 1,200 | \$ 1,246 | \$ 46 | |
| | Korea | 5 | C | \$ 750 | \$ 1,921 | \$ 1,171 | |
| | Seoul | 3 | C | \$ 450 | \$ 615 | \$ 165 | |
| | Pohnpei | 2 | B | \$ 250 | \$ 147 | \$ (103) | |
| | Hong Kong | 6 | C | \$ 900 | \$ 1,331 | \$ 431 | |
| Hawaii | 6 | C | \$ 900 | \$ 1,120 | \$ 220 | | |
| Philippines | 2 | C | \$ 300 | \$ 597 | \$ 297 | | |
| Thailand | 7 | C | \$ 1,050 | \$ 1,450 | \$ 400 | | |
| | | | | Subtotal | \$ 10,995 | | |

Note: Totals may not add up due to rounding.

Credit Card Charges in Excess of Allowed Per Diem

Per Diem Rates:

A: Hawaii, San Francisco, New York, Washington D.C., Japan = \$175

B: Micronesia, CNMI = \$125

C: All other areas = \$150

Note: Director and Deputy Director of any department, the rates are 125% of basic per diem rates =125%

| Traveler | Location | A | B | C = A x B | | D | E = D - C |
|------------------------------------|---------------|-----------------------|---------------------|----------------------------|---------------------------|---|-----------|
| | | Length of Travel * | Per diem rate | Per diem allowed by law | (Per diem) + (Charges) | Excess Over Per diem allowed by law | |
| Deputy General Manager (- 2003) | New Caledonia | 7 | C | \$ 1,313 | \$ 7,909 | \$ 6,597 | |
| | Korea | 6 | C | \$ 1,125 | \$ 6,596 | \$ 5,471 | |
| | | | | | Subtotal | \$ 12,068 | |
| Marketing Officer II | Japan | 4 | A | \$ 700 | \$ 2,267 | \$ 1,567 | |
| | Japan | 3 | A | \$ 525 | \$ 1,131 | \$ 606 | |
| | Japan | 5 | A | \$ 875 | \$ 2,004 | \$ 1,129 | |
| | Japan | 5 | A | \$ 875 | \$ 1,166 | \$ 291 | |
| | Japan | 6 | A | \$ 1,050 | \$ 7,609 | \$ 6,559 | |
| | Tokyo | 3 | A | \$ 525 | \$ 853 | \$ 328 | |
| | Japan | 4 | A | \$ 700 | \$ 801 | \$ 101 | |
| | | | | | Subtotal | \$ 10,581 | |
| Marketing Officer II | Japan | 4 | A | \$ 700 | \$ 1,090 | \$ 390 | |
| | Japan | 9 | A | \$ 1,575 | \$ 2,162 | \$ 587 | |
| | Japan | 6 | A | \$ 1,050 | \$ 2,132 | \$ 1,082 | |
| | Japan | 4 | A | \$ 700 | \$ 1,113 | \$ 413 | |
| | Japan | 6 | A | \$ 1,050 | \$ 1,333 | \$ 283 | |
| | Japan | 2 | A | \$ 350 | \$ 375 | \$ 25 | |
| | Japan | 7 | A | \$ 1,225 | \$ 1,669 | \$ 444 | |
| | | | | | Subtotal | \$ 3,223 | |
| Marketing Officer | Japan | 4 | A | 700 | 2,156 | 1,456 | |
| | | | | | Subtotal | 1,456 | |
| Marketing Officer | Australia | 6 | C | 900 | 1,402 | 502 | |
| | Lousiana | 7 | C | 1,050 | 1,726 | 676 | |
| | | | | | Subtotal | 1,178 | |
| | | | | | TOTAL | \$ 138,403 | |

Note: Totals may not add up due to rounding.

Management Response



Guam Visitors Bureau
Setbision Bisitan Guahan

RECEIVED

DATE: 11-13-06
10:45 AM

Received by Office of the
Public Auditor *[Signature]*

November 9, 2006

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of the Public Auditor
Suite 401, Pacific News Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Dear Ms. Brooks:

I write this letter, on behalf of the Guam Visitors Bureau, as a supplement to our initial response letter dated October 27, 2006, a copy of which is attached, regarding the Bureau's credit card and travel activities (OPA draft report, October 2006).

First of all, we sincerely appreciate your consideration in accommodating our request for an extension to respond to the report. Although the outcome from the extension will not change the main thrust of the report, the additional time enabled us to track down a number of documents that we have felt all along would mitigate the material significance of deviations cited in the audit.

Secondly, we are cognizant of the board's responsibility for controls, how it radiates throughout the organization, and management's role in carrying out this responsibility. That said, we concur with your findings of management and control weaknesses associated with the use of credit cards, which have since been rectified by a new credit card policy in effect since October 1, 2006. We are also revising our travel policy to simplify its administration and enforcement consistent with the law. We anticipate this revised policy to be put into effect this fiscal year.

Thirdly, based on the additional documents examined and verified by your audit team, it is important to note for the record the absence of any apparent improprieties or evidence of abuse on the part of GVB employees, currently or in the past.

Fourthly, I have always believed, in the very short time I have been with the Bureau, that there has never been any deliberate attempt to circumvent or ignore established policies and procedures by any employee. In most circumstances, all travel or credit card expenses were authorized at some level. Admittedly, however, these authorizations were either inconsistent with an established travel policy, contained gaps in the reporting process, or not uniformly applied, all of which have since been addressed and rectified. The board and management have since restructured the Bureau's accounting and reporting system to remedy shortcomings in management oversight and record keeping, as well as authorization and spending reports.

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• www.visitguam.org

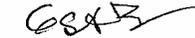
Management Response

Page 2 of 2

To: Doris Flores Brooks, CPA, CGFM
Office of the Public Auditor
Subject: OPA draft report, October 2006
Date: November 9, 2006

In closing, I would note that we have cooperated fully with your audit team to the best of our abilities and within the time allotted. We apologize for any misunderstanding on our part, or lack of clarity, regarding the availability of relevant documents requested previously. Again, thank you for extending us the courtesy and opportunity to provide a more accurate representation of conditions as they existed for the period that the audit covered.

Regards,



GERALD S.A. PEREZ
General Manager

Attachment

Management Response



Guam Visitors Bureau
Setbision Bisitan Guahan

October 27, 2006

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of the Public Auditor
Suite 401, Pacific News Building
238 Archbishop Flores Street
Hagatna, Guam 96910

Dear Ms. Brooks:

I write this letter on behalf of the Guam Visitors Bureau in response to the Performance Audit conducted on the Guam Visitors Bureau Credit Card and Travel activities dated October 2006. The audit covered a four-year period ending in September 30, 2004. It revealed management and control weaknesses associated with the internal documentation, approval, and reporting process of GVB's off-island travel and credit card use.

(1). First, we express our dismay over your decision to deny our request for a three (3) week extension to submit our response to the findings of the report. We believe our request was adequately justified in the absence of, to our knowledge, impending reporting deadlines that would warrant a response to you in such a compressed timeframe. Given the heightened tempo of our marketing activity, key personnel with first hand knowledge of the instances cited in the report have either just returned from an off-island assignment or preparing for another, thereby handicapping our ability to respond appropriately and completely.

(2). Second, we take issue with your comment that the marketing department did not consider your report a "priority" as you had indicated in your voice mail to me late Friday afternoon on October 20th. To the contrary, I believe we both share the goal of wanting to see a quality product, which is the basis for the extension we requested. An audit is a function that we value in pointing out areas for improvement. But we believe that it should also capture the facts surrounding issues of concern more accurately than the report, as written, would seem to indicate.

(3). Thirdly, please note that your audit team took over a year to produce the report. We only asked for three extra weeks in addition to the three (3) we initially had so that we can provide the additional material needed to respond properly and completely. Please keep in mind that members of our marketing staff had just returned, and were getting ready again to go off-island, when we made the request. Much work is involved before each trip, as well as following up on action points after each trip. For GVB to respond to your report, in three (3) weeks, would have meant for key employees involved to stop all other urgent and time sensitive assignments that the GVB Board has directed them to do in order to accommodate your deadline. The extension we had requested was an attempt to balance both tasks we faced, and does not reflect the lack of priority you attribute to GVB's marketing staff.

(4). Fourthly, we agree that many of the findings in the report were due to serious flaws in our filing system and the travel policy upon which the audit was based. We are also confident that, with adequate time, your findings can be substantially mitigated so as to more accurately represent GVB's state of affairs. We shall illustrate this point by the selected examples below given the time limitation accorded:

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Management Response

- a. **Failure to Enforce Travel Policy:** We do not concur with the finding. We acknowledge that the policy is not uniformly and consistently applied throughout the organization, but to infer that management completely abandoned its fiduciary responsibilities to administer the policy is inaccurate.
- b. **Approval Process Not Followed:** Reference is made to non-compliant activities on a provision of the travel policy that requires travel requests to be submitted to the Board at least one (1) month prior to departure. Again we take exception to the finding as the report did not further elaborate on the provision which permits a departure from this requirement if "circumstances dictate otherwise". We judgmentally selected two (2) transactions from the list of findings, gathered all relevant and pertinent documentation and arrived at the following conclusion:

| <u>OPA Questionable Travel Program</u> | <u>OPA Finding</u> | <u>GVB Response</u> |
|---|-------------------------------|--|
| 1. 2001 Pacific Area Travel Association (PATA) Conference | No evidence of Board approval | Approved at a March 15, 2001 Special Board of Director's meeting -- minutes available upon request |
| 2. 2003 Autumn Wedding Exhibition | No evidence of Board approval | Approved at a July 24, 2003 Regular Board of Director's meeting -- minutes available upon request |

- c. **Unknown Credit Card Charges:** Reference is made to the inability to identify the nature of charges appearing on a credit card statement. We feel this finding is unsubstantiated and therefore we do not concur. It is generally understood that a statement is an unreliable source for this kind of information. Access to credit card receipts and expense reports would appropriately achieve this reporting objective. It is not clear as to the underlying reason why proper supporting records were not requested from a GVB staff. Accordingly, we judgmentally selected two (2) transactions from the list of findings, gathered all relevant and pertinent documentation and arrived at the following conclusion:

| <u>OPA Questionable Credit Card Charge</u> | <u>OPA Finding</u> | <u>GVB Response</u> |
|--|-----------------------------|---|
| 1. SM ACI MegaMall, Philippines - \$133 | Unknown Credit Card Charges | Expense Report dated January 8, 2004 and relevant supporting receipt disclosed charge is relative to a prize (TV) let out at the PAL Travel Agents Seminar, Philippines |
| 2. Hiawon, Korea - \$1,093 | Unknown Credit Card Charges | Expense Report dated July 14, 2004 and relevant supporting receipt disclosed charge is relative to the cost of securing a banquet room for Korean Guam Tourism Council meeting. |

- d. **Failure to Submit Individual Expense Reports:** As noted earlier, GVB recognizes the serious weaknesses in its record keeping system which, admittedly, contributed to this and other conditions noted in the report. However, in due process many of the findings can be explained and we will demonstrate this again by judgmentally selecting two (2) transactions from the list of findings, following our retrieval of relevant and pertinent documentation to arrive at a conclusion supporting our assertion:

| <u>OPA Questionable Travel Program</u> | <u>OPA Finding</u> | <u>GVB Response</u> |
|---|---|--|
| 1. 2004 Guangzhou Int'l Travel Fair -- Marketing Officer II | Failure to Submit Individual Expense Report | Expense report dated July 5, 2004 on file and available upon request |

Management Response

| | | |
|---|---|--|
| 2. 2004 Guangzhou Int'l Travel Fair – Marketing Officer I | Failure to Submit Individual Expense Report | Expense report dated July 5, 2004 on file and available upon request |
|---|---|--|

- e. **Incomplete Marketing Reports:** Under the same premises as noted above, we judgmentally selected two (2) transactions from the list of findings, gathered all relevant and pertinent documentation to arrive at a conclusion supporting our assertion:

| <u>OPA Questionable Travel Program</u> | <u>OPA Finding</u> | <u>GVB Response</u> |
|---|------------------------------|---|
| 1. 2004 Guangzhou International Travel Fair | Incomplete Marketing Reports | Marketing report dated April 20, 2004 on file and available upon request |
| 2. 2003 Taipei International Travel Fair | Incomplete Marketing Reports | Marketing report dated December 30, 2003 on file and available upon request |

- f. **Unauthorized Travel-related Credit Card Charges:** At this time we are unable to provide an appropriate response due to the imposed time constraints. Many of the findings raised date back six (6) years and, simply said, such records are not readily accessible to allow a complete review in the time allotted. We do contend, however, that barring any unforeseen lapses in our documentation, we can adequately prove that most (if not all) of the reported exceptions are bona fide travel expenses

- g. **Credit Card Charges in Excess of Allowable Per Diem:** The following discloses our findings on one (1) transaction judgmentally selected from the reported exceptions under the finding.

| <u>Traveler</u> | <u>Location</u> | <u>OPA Finding – Excess Amount over Per Diem</u> | <u>GVB Response</u> |
|-------------------|----------------------------------|--|--|
| Marketing Manager | Missouri, 2003 TIA Int'l POW WOW | \$1,737 | The credit card charges include expenses for booth furnishings, transportation of booth materials/collateral to the event and hotel accommodations for two (2) travelers. The report inaccurately compared per diem for one(1) delegate to total expenses for two (2) travelers. |

- h. **Unauthorized Local Charges:** This condition is a result of similar circumstances noted above regarding GVB's record keeping. In any case, however, charges incurred locally and abroad are ultimately approved by the General Manger. We concur that certain administrative requirements on the credit card's use were not adequately documented (advance approval for local purchases). However, sufficient safeguards existed to ensure the propriety of the charges

- i. **Inadequate Documentation of Entertainment Expenses:** GVB management concurs with the finding as the underlying reason for the condition was a non-existent Travel Coordinator to monitor and report non-conforming entertainment activities as required by the travel policy. GVB has since realigned such duties and responsibilities as collateral responsibilities for existing personnel to ensure immediate results.

Management Response

- j. **Inadequate Credit Card Policies:** GVB management concurs with the finding. The Board and Management have since instituted and restructured the Credit card policy to address the systemic weaknesses identified on the report. The policy is available upon request.
- k. **Poor Record Keeping:** GVB management concurs with the finding. Structural changes to the accounting system at the inception of fiscal year 2007 made significant improvements on GVB's capability to account for all travel costs and related sub-components. Examples include the capability to account for costs by traveler, country, market, program and event. In addition, travel logs are now maintained electronically for document control purposes.
- i. **Inconsistent Compensation of Performers and Pageant Winners and Absence of a Gift Exchange Policy:** GVB management does not concur with the finding. The compensation of performers and pageant winners are based on an established fee/rate schedule (see below). These rates have been in existence for several years and have been uniformly and consistently applied in conjunction with marketing and promotions activities conducted locally and abroad. A gift giving rate schedule has since been adopted by GVB of which the type and amount of the gift is driven by the significance and relative importance of the person/event receiving the gift.

VIP GIFTS

| Category | Price Range | Item |
|--|--------------------|---|
| General Consumer Gifts | Up to \$5 per item | Shell lei, key chain, lanyard |
| Trade Gifts – travel agent & media, etc. | \$10 to \$25 | Polo shirt, hats, ifit pens, lapel pins, bonita baskets |
| VIP Gifts | \$25 to \$50 | Wood carvings, bonita baskets, paintings |
| Protocol "Courtesy Call" Gifts | Up to \$125 | Liquor, Designer products |
| Special Gifts | Up to \$1,500 | Ifit proa, traditional machete, original art pieces |

HONORARIUM

| Category | Amount Per Performance Day |
|--------------------|----------------------------|
| Dancer | \$50 |
| Musician | \$100 |
| Miss Guam | \$100 |
| Crafter or Artisan | \$100 |

- m. **Disclosure Requirements – Gift Receiving:** GVB management concurs with the finding. A proposed policy is currently being drafted and expected to be completed within the next thirty (30) days.

As you can see from some of the examples we provided, the adversarial tone of the report could have been further mitigated had additional time been afforded to address the findings of the report with your audit team. We continue to ponder the reason given for denying the extension and have done our best to respond as appropriately as possible under the circumstances.

Sincerely,


 GERALD S. A. PEREZ
 General Manager

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- Visit our website at www.guamopa.org;
- Call our office at 475-0390;
- Fax our office at 472-7951;
- Or visit us at the PNB Building, Suite 401
In Hagåtña

All information will be held in strict confidence.