

**Port Authority of Guam
Goodwill and Morale Association**

**Investigative Audit
October 1, 1999 through
September 30, 2004**

**OPA Report No. 05-06
December 2005**



OFFICE OF THE PUBLIC AUDITOR

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EXECUTIVE SUMMARY

Investigative Audit of the
Port Authority of Guam Goodwill and Morale Association (PAGGMA)
Report No. 05-06, December 2005

Our investigative audit found that PAGGMA spent \$33,750 that lacked documentation to justify that the expenditures were PAGGMA-related. Of this amount, PAGGMA officers and non-PAGGMA members may have improperly received a total of \$23,554 due to a lack of supporting documentation. We found that:

- The 2001~2003 Treasurer endorsed and cashed 23 checks with unsupported amounts totaling \$11,080. All 23 checks were signed by the 2001~2004 President and 2001~2003 Treasurer and did not have supporting documentation to justify the disbursements. We also noted that all the checks were written in whole numbers and ranged from \$120 to \$950.
- The 2001~2004 President was issued 15 checks totaling \$7,650, which did not have supporting documentation to justify the disbursements. In addition, the 2001~2004 President submitted 14 VIP Rewards slips and one credit card slip totaling \$527 for reimbursements that appeared personal in nature.
- The 2000 President received \$3,837, the 2001~2002 Secretary received \$124, and four non-PAGGMA members received \$863 without supporting documentation.

Other PAGGMA payments to various payees totaling \$10,196 did not have supporting documentation. These payments were for Christmas parties, Port Week, Liberation Day, membership benefits, and fundraisers.

These conditions occurred because the PAG Board and Management, as well as the PAGGMA membership, did not require an accounting of PAGGMA's funds. PAGGMA members reacted to the alleged misuse of the organization's funds by terminating their memberships, but did not confront the officers to demand an accounting of PAGGMA's funds.

Additionally, we found that the Port Authority of Guam:

- Used public funds when it donated \$5,000 to PAGGMA for the 2000 Christmas Party, contrary to Governor's Circular 97-01 and Attorney General's Memorandum GOV 98-0079, which prohibited such donations;
- Donated unclaimed cargo to PAGGMA absent PAG Board approval, as required by PAG Board Policy Memorandum No. 2002-11; and
- Allowed PAG employees to solicit money and prizes from PAG tenants, which may be a conflict of interest, as it puts undue pressure on PAG tenants to donate to PAGGMA.

Among the limited documentation that was available to us, we found that (1) two grocery receipts paid with food stamp coupons totaling \$155 were submitted for reimbursement, (2) \$692 in PAGGMA funds may have been used for personal purchases, such as for fuel, cigarettes, meals and lunch buffets, candy,

drinks, a car battery, and household electrical supplies, and (3) membership benefits totaling \$875 were in excess of the amounts authorized in the by-laws.

We found PAGGMA records in disarray and found the following conditions, which led us to conclude that PAGGMA's records were unreliable and incomplete.

- Bank statements, for 17 months from October 1999 through December 2000, December 2003, and January 2004 were missing from files initially requested, but were subsequently obtained from the bank and provided to OPA.
- Seven of the 17 voided checks could not be located;
- Nine canceled checks amounting to \$5,647 were missing;
- Endorsements on 14 checks totaling \$2,877 could not be verified; and
- Two canceled checks totaling \$600 were signed by one authorized signer, instead of the required two.

While PAGGMA is incorporated as a non-profit organization at the Department of Revenue and Taxation and has registered its constitution and by-laws as recent as November 2004, PAGGMA does not have tax-exempt status and has not submitted annual financial statements to DRT since its re-inception in March 1992. Thus, donor contributions to PAGGMA may not be tax deductible as charitable contributions.

This review was conducted in response to (1) the request of the Port Authority of Guam General Manager and (2) an OPA Hotline tip, both of which alleged improprieties with PAGGMA funds.

The former Port Authority of Guam Goodwill and Morale Association (PAGGMA) officers did not (1) maintain adequate documentation to warrant the disbursement of PAGGMA funds, (2) disburse the organization's funds in accordance with PAGGMA's objectives, or (3) maintain sufficient records and documentation.

We have referred this matter to the Attorney General for determination whether or not legal action is warranted against these officers and non-PAGGMA members.

The OPA commends the PAG General Manager for taking the initiative to promote accountability of public funds by conducting three internal reviews of PAGGMA funds. Although our review confirmed the conclusions stated in the PAG reports, our questioned amounts differed because we did not question an entire disbursement if we found adequate documentation that adequately supported it. OPA supports the recommendations made in the internal reviews and urges that such recommendations be implemented.

A draft report was provided to the current PAGGMA Officers and the Port Authority of Guam management in November 2005. The officers and management concurred with the findings and recommendations within the report.



Doris Flores Brooks, CPA, CGFM
Public Auditor



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Introduction

This report represents the results of our investigative audit of the financial activities of the Port Authority of Guam Goodwill and Morale Association (PAGGMA) for fiscal years 2000 through 2004. The review was conducted in response to (1) a request by the Port Authority of Guam (PAG) General Manager and (2) an OPA Hotline tip, both of which alleged improprieties with PAGGMA funds. The objectives of our investigation were to: (1) evaluate the accountability of PAGGMA funds, and (2) ascertain the extent of misuse, if any, of PAGGMA funds. The scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.



Image 1: Aerial view of the Port Authority of Guam.

Background

PAGGMA was established in February 1978, dissolved on March 3, 1992 for unknown reasons, and then re-constituted on March 23, 1992. PAGGMA officers include a President, a Vice President, a Secretary, a Treasurer, a Sergeant-at-Arms, and a Parliamentarian who are elected annually by PAGGMA members.

PAGGMA's objectives include (1) promoting interaction among the Jose D. Leon Guerrero Commercial Port employees, (2) providing activities and motivating projects for the betterment of the community, (3) engaging in legitimate activities that will be advantageous to the association and its members, (4) receiving and accepting funds, gifts, and contributions to fulfill and promote the purpose of the association, and (5) engaging in, conducting, maintaining, operating, and controlling fundraising activities.¹ The PAG engages PAGGMA as the forum to organize PAG-sponsored public events, such as Port Week, which is held every October. From October 1999 through September 2004, PAG donated \$52,197 to PAGGMA to organize these events.

¹ November 2004 by-laws.

The 1992 by-laws indicate that members shall be payroll deducted monthly dues of \$1 per pay period. However, the current officers indicated that PAG employees voluntarily elect to become PAGGMA members by authorizing the Port Authority of Guam (PAG) payroll department to deduct membership dues of \$2 per pay period. PAG then transfers these dues to PAGGMA. The current PAGGMA officers and PAG personnel indicated that they were unaware of the effective date of the change in payroll deduction, and can only speculate that the change occurred sometime between 1992 and 1995. From October 1999 through September 2004, the membership dues collected and transferred to PAGGMA totaled \$36,931. As of September 30, 2004, there were 109 PAGGMA members out of 331 PAG employees.

PAGGMA is incorporated as a non-profit organization at the Department of Revenue and Taxation (DRT). Inquiries with DRT's Business Privilege Branch indicated that although PAGGMA has registered its constitution and by-laws as recent as November 2004, PAGGMA does not have tax-exempt status and had not submitted annual financial statements to DRT since its re-inception in March 1992. Thus, donor contributions to PAGGMA may not be tax deductible as charitable contributions.

Port Authority of Guam Conducts Reviews of Alleged Misuse of PAGGMA Funds

In August 2003, the Port Week Chairperson requested 2002 Port Week financial information from the PAGGMA officers in order to begin planning for the approaching Port Week. However, both the 2001~2004 President, who is also the PAG's Supervisor for Internal Audit, and the 2001~2003 PAGGMA Treasurer failed to provide such requested financial information. As a result, the PAG General Manager initiated a review of \$22,197 in PAG funds paid to PAGGMA for the 2001 and 2002 Port Week. The PAG paid \$15,000 to PAGGMA on October 18, 2002 for the 2002 Port Week and \$7,197 on November 27, 2002 for the 2001 and 2002 Port Week.

Between November and December 2003, PAG conducted a series of three separate reviews of PAGGMA's financial activities. Refer to Appendix 6 for copies of the reviews. The PAG reviews concluded that there were possible improprieties of PAGGMA payments made to the 2001~2004 PAGGMA President and the 2001~2003 PAGGMA Treasurer. The PAG-conducted reviews recommended that the PAG General Manager refer the matter to the OPA for review and disposition.

OPA commends the PAG General Manager for taking the initiative to promote accountability of public funds by conducting extensive reviews of PAGGMA's financial activities. Although our review confirmed the conclusions stated in the PAG reports, our questioned amounts differed because we did not question an entire disbursement if we found adequate documentation that partially supported it. OPA supports the recommendations made in the internal reviews for implementation of the recommendations will strengthen the checks and balances of PAGGMA funds.

The following summarizes the PAG-conducted reviews.

1st Review: PAG Internal Review

In November 2003, at the request of the PAG General Manager, the PAG Management Program Analyst (Analyst) issued a memorandum of his review of PAGGMA's financial statements, expenditures, and revenues from October 1, 1999 through September 24, 2003 to account for PAG's \$22,197 donation and reimbursement for Port Week activities. Of this amount, the review found \$2,901 not substantiated with adequate documentation. The Analyst expanded his review to include PAGGMA controls over funds and disclosed nine findings with questioned costs totaling \$18,249. The findings included:

- Poor condition of PAGGMA's record-keeping,
- Several fundraisers showed no report of monies raised,
- PAGGMA checks were not issued in sequence by numeric/chronological order,
- Quarterly membership meetings not held,
- Financial statements were not updated monthly, and
- No elected committees.

2nd Review: Ad-Hoc Committee Review

In the later part of November 2003, the PAG General Manager appointed an ad-hoc committee comprised of the Financial Affairs Controller, Program Coordinator IV, and Personnel Services Administrator to conduct a more extensive review of PAGGMA for fiscal years 2002 and 2003, based on the initial findings in the first review. The committee found:

- Only the President and Treasurer approved disbursements made by the officers,
- The President had pre-signed blank checks,
- Checks were issued to the Treasurer (\$12,080) and President (\$10,036) or made payable to cash and subsequently endorsed by these officers without supporting documentation,
- PAGGMA was never given a certificate to operate as a non-profit organization, and
- PAGGMA had been disbursing member benefits not consistent with the by-laws.

3rd Review: Ad-Hoc Committee Follow-Up

The committee convened a third review, disclosed events that occurred subsequent to December 4, 2003, and enumerated more findings, which included:

- VIP Rewards² slips were provided as proof of expenditures instead of actual invoices,
- Two receipts indicated merchandise was purchased with food stamps,
- Several checks issued to organizations did not have receipts to substantiate the disbursements, and
- There were only two cash deposits made to the PAGGMA account during FY 2002 and 2003, according to the bank microfilm deposit documents, despite numerous cash generating fundraisers.

The documents provided by the 2001~2004 PAGGMA President did not clarify the discrepancies pointed out in the previous reports.

² VIP Rewards is a customer rewards program offered to Guam residents since 1996.

Results of Investigative Audit

The Port Authority of Guam Goodwill and Morale Association (PAGGMA) spent \$33,750 that lacked documentation to justify that expenditures made were PAGGMA-related. Of this amount, four PAGGMA officers and four non-PAGGMA members may have improperly received a total of \$23,554:

- The 2001~2003 Treasurer endorsed and cashed 23 checks totaling \$11,080 without supporting documentation.
- The 2001~2004 President³ endorsed and cashed 15 checks totaling \$7,650 without supporting documentation.
- The 2000 President endorsed and cashed five checks totaling \$3,837 without supporting documentation.
- The 2001~2002 Secretary endorsed and cashed two checks totaling \$124 without supporting documentation.
- Four non-PAGGMA Members endorsed and cashed four checks totaling \$863 without supporting documentation.

Other PAGGMA payments to various payees without supporting documentation totaled \$10,196. These payments include:

- Four checks of \$3,576 for Christmas parties.
- Three checks of \$3,050 without any explanation.
- Five checks of \$1,392 for various Port Week activities.
- Eight checks of \$1,172 for various Liberation Day activities.
- Twelve checks of \$500 for various membership benefits.
- Two checks of \$305 for fundraisers.
- One check for \$150 for Labor Day 2001.
- One check for \$51 for other activities.

We also found that (1) two grocery receipts paid with food stamp coupons totaling \$155 were submitted for reimbursement, (2) \$692 in PAGGMA funds may have been used for personal purchases, such as for fuel, cigarettes, meals and lunch buffets, candy, drinks, a car battery, and household electrical supplies, and (3) membership benefits totaling \$875 were in excess of the amounts authorized in the by-laws.

These conditions occurred because the PAG Board and Management, as well as the PAGGMA membership, did not require an accounting of PAGGMA's funds. PAGGMA members reacted to the alleged misuse of the organization's funds by terminating their memberships, but did not confront the officers to demand an accounting of PAGGMA's funds.

Additionally, we found that the Port Authority of Guam (1) donated \$5,000 in public funds to PAGGMA for the 2000 Christmas Party,⁴ (2) donated unclaimed cargo to PAGGMA absent

³ This officer was PAGGMA's President from 2001 to 2003 and the first six months of 2004.

PAG Board approval, and (3) allowed PAG employees to solicit money and prizes from PAG tenants, which may be construed as a conflict of interest.

Although the previous PAG management provided PAGGMA a total of \$52,197 in public funds to be utilized for the 2000 Christmas Party and the 2000 through 2002 Port Week, it is the current management's position that they have **no responsibility or oversight** over PAGGMA activities. Despite this position, the PAG General Manager initiated several actions to protect PAGGMA funds from further abuse, such as conducting internal reviews of PAGGMA funds and withholding the transfer of membership dues to PAGGMA until cash management procedures were established.

The first PAG-conducted review mentioned that the "honesty and integrity of the association is a reflection of the Port Authority of Guam in itself." All these are indicators of PAG's involvement with PAGGMA activities, and therefore we concluded that PAGGMA operates under the auspices and oversight of PAG.

It was also noted that PAG management continues to give monetary donations to PAGGMA, the most recent one being a \$10,000 donation for the Port Week 2005.

While there may not be any legal requirement for PAG management to monitor the activities of PAGGMA, we are of the opinion that PAG management has a moral duty of oversight to ensure that PAG-sanctioned activities are conducted appropriately. As a minimum, PAG management should require a full accounting of any PAG funds donated and reimbursed to PAGGMA for Port-sponsored events.

The questioned costs identified in this report are summarized in Appendix 1.

Questioned Payments to PAGGMA Officers, Members, and Non-Members

In all, we reviewed 226 checks⁵ totaling \$135,021 that PAGGMA issued from October 1, 1999 through September 30, 2004, and determined that 85 checks totaling \$33,750 in PAGGMA funds were paid to officers and non-PAGGMA members without sufficient supporting documentation. Of this amount, 49 checks totaling \$23,554 were issued to PAGGMA officers and four non-PAGGMA Members, while the remaining 36 checks totaling \$10,196 were issued to other payees for various PAGGMA-related activities and member benefits, as indicated on the check memos. Due to the lack of supporting documentation, we were unable to determine whether these checks may have been used for PAGGMA-related purposes or instead used for personal purposes.

Table 1 lists the checks payable to PAGGMA officers and non-PAGGMA members with partially supported and unsupported amounts.

⁴ Governor's Circular 97-01 and Attorney General's Memorandum GOV 98-0079 prohibit the use of public funds for social events, such as Christmas and New Year's parties.

⁵ Based on available cancelled checks and check register.

Table 1: Unsupported and Partially Supported Checks Paid to PAGGMA Officers and Selected Non-PAGGMA Members⁶

<u>Payee</u>	<u># of Checks</u>	<u>Amount</u>	<u>Supported Amt.</u>	<u>Unsupported Amt.</u>
1 2001~2003 TREASURER	23	\$ 11,080	\$ -	\$ 11,080
2 2001~2004 PRESIDENT	15	9,997	2,347	7,650
3 2000 PRESIDENT	5	7,265	3,428	3,837
4 2001~2002 SECRETARY	2	124	-	124
5 Non-PAGGMA Member 1	1	263	-	263
6 Non-PAGGMA Member 2	1	200	-	200
7 Non-PAGGMA Member 3	1	200	-	200
8 Non-PAGGMA Member 4	1	200	-	200
TOTAL*	49	\$ 29,329	\$ 5,775	\$ 23,554

* Totals may not add up due to rounding.

These PAGGMA officers and non-PAGGMA members with unsupported amounts may have financially benefited from PAGGMA funds.

We question the remaining 36 checks totaling \$10,196 as these payments were made without supporting documentation. Table 2 summarizes the checks paid to other payees by event.

Table 2: Checks Paid to Other Payees by Event

<u>Event</u>	<u># of Checks</u>	<u>Amount</u>	<u>Unsupported Amt.</u>
1 Christmas Party	4	\$ 3,629	\$ 3,576
2 Port Week	5	1,434	1,392
3 No Explanation	3	3050	3050
4 Liberation Day	8	2,140	1,172
5 Member Benefits	12	925	500
6 Fundraiser	2	305	305
7 Labor Day	1	150	150
8 Other	1	51	51
TOTAL	36	\$ 11,683	\$ 10,196

A schedule of all unsupported disbursements can be found in Appendix 4.

Of the \$101,271⁷ supported with receipts or other documentation, we determined that \$692 may have been spent for personal purposes, such as:

- \$236 for fuel purchases from various gas stations on Guam,
- \$182 for meals and lunch buffets,
- \$10 for prescribed medication,
- \$74 for a car battery,
- \$39 for drinks and candy,
- \$14 for cigarettes and chewing tobacco,

⁶ Although there were more than four non-PAGGMA members with unsupported checks, we only placed those with a minimum of \$200 in unsupported checks in this listing.

⁷ 226 checks totaling \$135,021 less 85 checks with unsupported costs totaling \$33,750.

- \$124 for miscellaneous household electrical supplies, such as a weather head and an aluminum conduit that were purchased a month after Typhoon Chata'an⁸, and
- \$13 for tire warranty and disposal fee.

Although the expenditures listed above had supporting documents, an explanation as to why these types of purchases should have been reimbursed with PAGGMA funds was not provided. Therefore, we have concluded that these payments may have been spent for personal purposes.

Theft of Property Held in Trust

According to 9 G.C.A. § 43.60, **theft of property held in trust** occurs when a person who in the course of business obtains property upon agreement, or subject to a known legal obligation... is guilty of theft if he intentionally deals with the property as his own and fails to make the required disposition. Without sufficient documentation of the disbursements issued to the 2001~2003 Treasurer, 2000 President, 2001~2004 President, 2000~2001 Secretary, and the four non-PAGGMA members, we were unable to determine whether the disbursements were for PAGGMA-related or personal purposes (theft of property held in trust). The officers did not (1) submit adequate documentation to justify the disbursement of PAGGMA funds, (2) disburse the organization's funds in accordance with PAGGMA's objectives (i.e. engaging in legitimate activities that will be advantageous to the association and its members), nor (3) maintain sufficient records and documentation.

A detailed narrative of the unsupported disbursements to PAGGMA officers and non-PAGGMA members follows.

2001~2003 Treasurer

Between January 2002 and September 2003, the 2001~2003 Treasurer wrote six checks (\$3,800) to himself and another 18 checks (\$8,080) to cash. He **endorsed and cashed** all 24 checks totaling \$11,880, of which 23 checks totaling \$11,080 did not have supporting documentation. We determined that all 23 unsupported checks were signed by the 2001~2004 President and 2001~2003 Treasurer and were written in whole numbers ranging from \$120 to \$950.

Of the 23 checks, we were able to ascertain the purposes of only two checks, # 1409 and # 1481. Table 3 lists the checks endorsed and cashed by the 2001~2003 Treasurer without supporting documentation.

Table 3: Schedule of Unsupported Checks Payable to the 2001~2003 Treasurer

	<u>Date</u>	<u>Payee</u>	<u>Ck #</u>	<u>Description</u>	<u>Unsupported Amt.</u>
1	1/25/2002	2001~2003 Treasurer	1403	No Explanation	\$ 700
2	6/24/2002	2001~2003 Treasurer	1409	Liberation Petty Cash	500
3	9/4/2002	2001~2003 Treasurer	1423	No Explanation	500
4	9/12/2002	2001~2003 Treasurer	1425	No Explanation	800
5	10/24/2002	2001~2003 Treasurer	1444	No Explanation	500
6	10/28/2002	CASH	1455	No Explanation	600
7	10/31/2002	CASH	1447	No Explanation	300

⁸ Typhoon Chata'an occurred on July 5, 2002.

	<u>Date</u>	<u>Payee</u>	<u>Ck #</u>	<u>Description</u>	<u>Unsupported Amt.</u>
8	11/12/2002	CASH	1449	No Explanation	400
9	11/12/2002	CASH	1448	No Explanation	500
10	11/21/2002	CASH	1452	No Explanation	700
11	11/26/2002	CASH	1453	No Explanation	600
12	12/6/2002	CASH	1458	No Explanation	350
13	12/24/2002	CASH	1459	No Explanation	200
14	1/3/2003	CASH	1463	No Explanation	700
15	1/8/2003	CASH	1470	No Explanation	300
16	1/14/2003	CASH	1469	No Explanation	300
17	1/20/2003	CASH	1471	No Explanation	240
18	3/21/2003	CASH	1473	No Explanation	750
19	4/11/2003	CASH	1476	No Explanation	950
20	6/13/2003	CASH	1481	Relay for Life	300
21	8/12/2003	CASH	1497	No Explanation	420
22	9/2/2003	CASH	1500	No Explanation	120
23	9/3/2003	CASH	1499	No Explanation	350
TOTAL					\$ 11,080

On October 18, 2002, the 2001~2003 Treasurer was issued check # 1439 for \$800 for Port Week 2002 golf tournament cash prizes, although the cash winners listing indicated that total cash prizes were \$1,350. The listing was not signed off by any of the recipients acknowledging receipt of their cash prize, but was instead signed by the 2001~2004 President and 2001~2003 Treasurer and witnessed by the 2003~2005 Secretary. The 2003~2005 Secretary stated that she witnessed all golf tournament monies were distributed the night of the tournament banquet. However, we did not confer with the cash winners and confirm the prize money they actually received. Therefore, we did not question this disbursement. In future, rather than distributing cash, a better control would be to issue checks payable to each winner.

On several occasions, OPA staff attempted to meet with the 2001~2003 Treasurer to discuss our preliminary findings and afford him an opportunity to explain discrepancies we identified; however, he failed to appear.

The 2001~2003 Treasurer took office in 2001 and remained there until he resigned from PAG in January 2004. The last PAG internal review concluded in December 2003, one month prior to his resignation.

2001~2004 President

Between February 2001 and December 2003, the 2001~2004 President **cashed and endorsed** 20 checks totaling \$11,344. Of this amount, we questioned 15 checks totaling \$7,650 paid to the 2001~2004 President because of no supporting documentation, although the memo lines on the checks indicated that the amounts were for various PAGGMA activity expenses reimbursements. Nineteen checks were signed by the 2001~2004 President and the 2001~2003 Treasurer and one check was signed by the 2001~2004 President and 2001 Treasurer.⁹ Table 4 lists the checks payable to the 2001~2004 President with supported and unsupported amounts.

⁹ The 2001 Treasurer remained in office for seven months, from February 2001 through September 2001.

Table 4: Schedule of Checks Payable to the 2001~2004 President

	<u>Date</u>	<u>Payee</u>	<u>Ck #</u>	<u>Description</u>	<u>Amount</u>	<u>Supported</u>	<u>Unsupported</u>
						<u>Amt</u>	<u>Amt.</u>
1	2/28/2001	CASH	1358	Membership Drive	\$ 500	\$ 500	\$ -
2	3/6/2001	2001~2004 President	1359	Membership Drive	125	125	-
3	9/13/2001	2001~2004 President	1373	Coastal Cleanup	100	-	100
4	10/17/2001	2001~2004 President	1376	Port Week 2001	980	-	980
5	10/23/2001	2001~2004 President	1397	Port Week 2001	800	-	800
6	12/21/2001	2001~2004 President	1390	Christmas Party 2001	314	127	187
7	1/24/2002	2001~2004 President	1399	No Explanation	121	-	121
8	7/17/2002	2001~2004 President	1413	Liberation Day 2002	1,000	489	511
9	7/26/2002	2001~2004 President	1418	Liberation Day 2002	361	-	361
10	9/4/2002	2001~2004 President	1424	Labor Day 2002	271	271	-
11	10/14/2002	2001~2004 President	1419	Port Week 2002	190	190	-
12	10/23/2002	2001~2004 President	1443	Port Week 2002	3,500	1,575	1,925
13	10/25/2002	2001~2004 President	1446	Port Week 2002	457	157	300
14	12/23/2002	2001~2004 President	1454	Christmas Party 2002	700	-	700
15	1/20/2003	2001~2004 President	1468	Christmas Party 2002	392	-	392
16	2/28/2003	2001~2004 President	1460	Annual Mtg. 2003	336	-	336
17	7/17/2003	2001~2004 President	1493	Liberation Day 2003	377	-	377
18	7/28/2003	2001~2004 President	1492	Liberation Day 2003	262	262	-
19	11/2/2003	2001~2004 President	1505	Port Week 2003	350	-	350
20	12/2/2003	2001~2004 President	1508	Port Week 2003	209	-	209
TOTAL					\$ 11,344	\$ 3,694	\$ 7,650

The 2001~2004 President was issued check # 1443 for Port Week 2002 cash prizes totaling \$3,500 in October 2002. Only \$1,575 was signed off as received by the recipients. We were unable to determine the disposition of the remaining \$1,925, as no other documentation was available except the cash winner listing. We did not confer with the winners or confirm the prize money they actually received.

Of the \$7,650 questioned above, the 2001~2004 President submitted 14 VIP Rewards slips totaling \$488 and one credit card slip for \$39 for reimbursement. These slips were received from various gas stations around the island that were determined to be for fuel. We could not identify the actual check(s) pertaining to the reimbursement and there was no documentation to support why the VIP Rewards and credit card slips should have been reimbursed to the 2001~2004 President; therefore, we concluded that these reimbursements may have been personal in nature.

After our review of available documentation, we attempted to contact the 2001~2004 President to discuss our preliminary findings and afford him an opportunity to explain discrepancies we identified, but he was off-island.

2000 President

Between October 1999 and October 2000, the 2000 President **cashed** eight checks totaling \$9,286, of which only \$5,449 had supporting documentation, such as receipts and invoices, while the remaining \$3,837 was unsupported. The 2000 President and 2000 Vice President signed all eight checks. Table 5 lists the checks payable to the 2000 President classified as supported or unsupported.

Table 5: Schedule of Checks Payable to the 2000 President

<u>Date</u>	<u>Payee</u>	<u>Ck#</u>	<u>Description</u>	<u>Amount</u>	<u>Supported</u>	<u>Unsupported</u>
					<u>Amt.</u>	<u>Amt.</u>
1	10/2/1999	2000 President	1303	Port Week 1999	\$ 1,000	\$ -
2	10/21/1999	2000 President	1307	Port Week 1999-Golf Tournament	600	600
3	10/21/1999	2000 President	1308	Labor Day 1999	300	119
4	11/22/1999	2000 President	1310	Fundraiser	21	-
5	10/19/2000	2000 President	1336	Port Week 2000	1,000	-
6	10/20/2000	2000 President	1341	Port Week 2000- Golf Tournament Cash Prizes	1,100	218
7	10/23/2000	2000 President	1347	Port Week 2000	650	650
8	10/26/2000	2000 President	1344	Port Week 2000- Sports Cash Prizes	4,615	2,250
				TOTAL	\$ 9,286	\$ 3,837

On October 26, 2000, the 2000 President was issued check # 1344 in the amount of \$4,615 for the Port Week 2000 Sports Cash Prizes. The only documentation for this disbursement was the cash winner listing which indicated that the total cash prizes distributed was \$2,920, but only \$2,365 was acknowledged by recipients. Therefore, \$2,250 remained unaccounted.

We were unable to discuss our preliminary findings to afford the 2000 President an opportunity to explain discrepancies we identified during our review. The PAG Personnel Administrator indicated that the 2000 President resigned from PAG in December 2002 and is currently off-island.

2001~2002 Secretary

We determined the 2001~2002 Secretary’s unsupported amount of \$124 for Chamorro Week 2002 and Port Week 2002 was immaterial and included it in Table 1 as a matter of disclosure. According to the 2001~2002 Secretary, she submitted her receipts to the 2001~2003 Treasurer.

Non-PAGGMA Members

We determined four non-PAGGMA members cashed and endorsed four checks totaling \$863 for various PAGGMA-related activities without sufficient supporting documentation. These disbursements each had unsupported amounts of \$200 or more and are included in Table 1 and Appendix 4.

Excess Membership Benefits

Of the 226 check disbursements reviewed, 22 checks totaling \$1,525 were issued for membership benefits. We found that (1) PAGGMA did not consistently follow its by-laws when authorizing membership benefit payments and (2) certain PAGGMA members received a total of \$875 over the allowable amounts. Appendix 5 lists the membership benefits allowed.

The by-laws limit hospitalization benefits to \$25 and a Get Well card. Fifteen disbursements were for hospitalization benefits, of which 13 disbursements exceeded the authorized amount by a total of \$525.

The by-laws state that upon an active member’s retirement, PAGGMA contributions are limited to a \$50 savings bond. However, we found check # 1491 issued for \$100 was \$50 over the limit

and was not a savings bond, as specified in the by-laws. In addition, we determined that the \$50 authorized amount was not supported with documentation of the employee's retirement.

We also found four checks totaling \$300 issued to PAGGMA members for benefits not specified in the by-laws. The memo section of the checks specified payments for medical assistance, past President, and flowers. We could not find documentation to indicate these disbursements were for benefits authorized in the by-laws and therefore concluded that they may have been preferential payments made to certain PAGGMA members. Refer to Appendix 4 for a listing of unsupported membership benefits.

We recommend the PAGGMA officers ensure that benefits paid to the membership are consistent with the by-laws allowed for all PAGGMA members, not to give the perception of preferential treatment.

Questioned Food Stamp Payments

During our review, we found that a PAGGMA member may have been reimbursed \$155 cash for food stamp purchases. We question the rationale for reimbursing the purchases paid with food stamp coupons because they are meant for household purchases of food and the reimbursement may be a form of buying the recipients' food stamps.¹⁰ We were unable to determine which check or checks were used to reimburse these purchases or which PAGGMA member(s) was reimbursed. We recommend the PAGGMA officers prohibit reimbursements of grocery receipts paid with food stamps.

Improper Use of Public Funds

In November 1997, the Governor requested a legal opinion from the Attorney General (AG) of Guam as to whether it was proper for the PAG to pay for employees' social events with public funds, pursuant to the Office of Inspector General's audit report no. 98-I-14. The Governor of Guam issued Circular 97-01 to all government department and agency heads regarding the prohibited use of government funds to pay for non-government and/or social events. Such events include, but are not limited to, New Year's, Thanksgiving, Christmas, employee retirement, and birthday parties.

In memorandum GOV 98-0079 dated March 27, 1998, the AG responded that the PAG improperly used public funds and cited that there is no provision authorizing or promoting the use of Port Authority funds for the entertainment of its employees.

Despite Circular 97-01 and the AG's legal opinion, on December 28, 2000, the PAG General Manager authorized the PAG Controller to disburse \$5,000 from the Port Authority of Guam's Incentive Awards to PAGGMA to help fund the Christmas Party that was held on December 30, 2000.

¹⁰ The Food Stamp Program helps people with little or no income buy nutritious food. Food stamp benefits are not cash. [<http://www.fns.usda.gov/fsp/outreach/Translations/English/313Brochure-04.pdf>] According to the Food and Nutrition Service's frequently asked questions about the Food Stamp Program, individual food stamp recipients who sell their benefits can be removed from the program. [<http://www.fns.usda.gov/fsp/faqs.htm#10>]

Our review of the Christmas Party banquet tabs and invoices from the hotel indicated that a total of \$5,099 was spent on soda and alcoholic beverages and \$6,600 was spent on food. Based on Governor's Circular 97-01 and AG's Memorandum GOV 98-0079, we determined that the Port Authority of Guam may have improperly used public funds when it donated the \$5,000 to PAGGMA for the Christmas Party. We noted that alcoholic beverages were not prohibited at government functions until Public Law 27-152 was passed in December 2004.

Therefore, we recommend that PAG management comply with Governor's Circular 97-01 and AG's Memorandum GOV 98-0079, which prohibits the use public funds for social events.

Unauthorized Transfers of Unclaimed Cargoes



Image 2: Container yard at the Port Authority of Guam.

We determined that the PAG management did not keep track of unclaimed cargoes transferred to PAGGMA. Interviews with PAG personnel indicated that PAG transferred unclaimed cargo of red bricks and drinks to PAGGMA for sales or give-aways. PAG Board Policy Memorandum No. 2002-11 stipulates that the Board of Directors shall opt to sell the [unclaimed] goods at public auction or donate the goods to a non-profit organization.¹¹

From October 1999 through September 2004, we only found one Board authorization in October 2002 for the transfer of unclaimed cargo. Based on the two bills of lading provided to OPA, PAGGMA was given non-alcoholic beverages with total shipping costs of \$5,578.¹²

We found a memorandum dated July 2, 2001 from the Terminal Superintendent to the former PAG General Manager, recommending that unclaimed cargo of red bricks be donated to PAGGMA.¹³ While PAG may have opted to auction this unclaimed cargo, the former General Manager solely approved the donation of the unclaimed cargo to PAGGMA on July 3, 2001, instead of first obtaining Board approval. PAG could not provide documentation to ascertain the value of the red bricks. PAG personnel indicated that they did not have a permanent Claims Officer, who would have been in charge of maintaining documentation, such as the two bills of lading of unclaimed cargo in 2001.

¹¹ Although there were no written policies regarding the disposition of unclaimed cargo prior to the issuance of this memorandum in 2002, PAG Personnel Administrator noted that this has been the same process since she began working for PAG in 1977.

¹² This cargo was damaged; however, the value of the items were not assessed prior to being transferred to PAGGMA.

¹³ The unclaimed cargo was staged at the Equipment Maintenance Division yard for several years.

We were unable to determine whether other unclaimed cargoes were transferred to PAGGMA, as review of the Board minutes did not indicate any transfers of unclaimed cargoes.

We recommend PAG management ensure that all future disposition of unclaimed cargo be first approved by the PAG Board of Directors, which is in accordance with PAG Board Policy Memorandum No. 2002-11.

Solicitation from Port Authority of Guam Tenants

4 G.C.A. § 15201 prohibits Government of Guam employees from soliciting, accepting, or receiving, 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, entertainment, when a reasonable person would infer that the gift is intended to influence the employee in the performance of that individual's official duties.

Furthermore, 4 G.C.A. § 15204(d) prohibits Government of Guam employees from using or attempting to use an official position to secure or grant unwarranted privileges, exemptions, advantages, contracts, or treatment, for himself or herself, or others including soliciting, selling, or otherwise engaging in a financial transaction with a subordinate or a person or business whom the employee inspects or supervises in official capacity.

Review of available documentation indicated that PAGGMA solicited donations of money and prizes from PAG tenants. Because PAGGMA members are employees of the Port Authority of Guam, it may be a conflict of interest for them to solicit from the PAG's tenants.

We therefore recommend the PAG General Manager request an opinion from the AG regarding whether a conflict of interest exists. Pending a response from the AG, PAG employees should not solicit donations or funds from its tenants and other businesses. Upon receipt of the AG's opinion, we recommend the PAG Board establish a policy that is consistent with the AG's opinion confirming whether or not PAG employees are allowed to solicit from its tenants.

Lack of Systematic Checks and Balances Over PAGGMA Funds

A system of checks and balances intends to protect an organization's assets against loss or misuse and ensures that all transactions are properly authorized and data contained in financial reports are reliable.¹⁴

We found PAGGMA records in disarray. Before we could perform analyses of the documents, considerable time was spent to organize the documents into manageable files. We also found the following conditions, which led us to conclude that PAGGMA's records were unreliable and incomplete.

¹⁴ *An Elected Official's Guide to Internal Controls and Fraud Prevention*

- Bank statements for 17 months from October 1999 through December 2000, December 2003, and January 2004 were missing from files initially requested, but were subsequently obtained from the bank and provided to OPA.
- Seven of the 17 voided checks could not be located with the duplicate copy in the check registers or within the documents provided to OPA.
- Nine canceled checks totaling \$5,647¹⁵ were missing from the boxes of documents provided by the PAGGMA officers and PAG staff.
- Endorsements made on 14 checks amounting to \$2,877 could not be verified, because only copies of the front side of the checks were available from the bank records.
- Two canceled checks totaling \$600¹⁶ were not rejected by the bank even though they were signed by one authorized signer, instead of the required two.

When the 2004~2005 President and the Secretary/ Interim Treasurer assumed their positions as officers, they strived to increase memberships and ensure financial transparency with the members, such as posting the organization's financial statements in PAG's newsletter.

Prior to the establishment of policies and procedures in February 2004, internal controls (i.e. checks and balances) were insufficient. Although the current PAGGMA officers instituted cash management policies and procedures, the policies failed to address the establishment of a proper control environment and segregation of duties.

We provided the current PAGGMA officers a checklist during our initial meeting to assess their cash management controls and serve as guidance on policies and procedures they should consider incorporating into their existing procedures. See Appendix 7 for OPA's Internal Control Checklist.

PAG's reviews of the organization made several constructive recommendations to correct the weaknesses in PAGGMA's checks and balances (see Appendix 6). OPA concurred with the findings and recommends that the PAGGMA officers implement the recommendations made in the PAG reports.

¹⁵ Of this amount, \$1,318 was questioned and classified as unsupported checks paid to cash and non-PAGGMA Member 4.

¹⁶ Of this amount, \$500 was questioned and classified as an unsupported check paid to the 2003 Liberation Day Queen.

Conclusion

Our investigative audit found that the former PAGGMA officers did not (1) maintain adequate documentation to warrant the disbursement of PAGGMA funds, (2) disburse the organization's funds in accordance with PAGGMA's objectives, nor (3) maintain sufficient records and documentation.

Therefore, we conclude that PAGGMA funds were not adequately accounted for and there is a possibility that the unsupported disbursements issued to the 2001~2003 Treasurer (\$11,080), 2001~2004 President (\$7,650), 2000 President (\$3,837), 2000~2001 Secretary (\$124), and the four non-PAGGMA members (\$863), may be theft of property held in trust.

We have referred this matter to the Attorney General for determination whether or not legal action is warranted against these officers and non-PAGGMA members.

Overall, the Port Authority of Guam General Manager and PAGGMA Officers concurred with the findings and recommendations of this report. See Appendices 8 and 9 for their official management responses.

Recommendations

Recommendations to the Officers of the Port Authority of Guam Goodwill and Morale Association:

1. Implement the recommendations made in the Port Authority of Guam internal reports.
2. Ensure that benefits paid to the membership are consistent with the by-laws allowed for all PAGGMA members, not to give the perception of preferential treatment.
3. Prohibit the reimbursements of grocery receipts paid with food stamps.
4. Pay prize money to each winner by check, rather than with cash.

Recommendations to the Port Authority of Guam Management and Board:

5. Require an accounting of all public funds donated to PAGGMA.
6. Comply with the Governor's Circular 97-01 and the AG's Memorandum GOV 98-0079, which prohibit the use of public funds for social events primarily benefiting employees of PAG, such as Christmas and retirement parties.
7. Ensure that all future disposition of unclaimed cargo be first approved by the PAG Board of Directors in accordance with PAG Board Policy Memorandum No. 2002-11.
8. Request an opinion from the Attorney General (AG) regarding whether a conflict of interest exists when PAG employees solicit from its tenants and other businesses. Pending a response from the AG, PAG employees should not solicit from its tenants and other businesses.
9. Establish a policy that is consistent with the AG's opinion confirming whether or not PAG employees are allowed to solicit from its tenants.

The legislation creating the Office of the Public Auditor requires agencies to submit an action plan to implement our recommendations within six months after report issuance. Accordingly, our office will be contacting you to establish the target date and title of the official responsible for implementing the recommendations.

The Office of the Public Auditor has referred this report to the Office of the Attorney General for a determination of whether or not legal action is warranted against those PAGGMA officers and non-PAGGMA members, who received checks that were unsupported.

We appreciate the cooperation shown by the staff of the Port Authority of Guam and the current officers of the Port Authority of Guam Goodwill and Morale Association.

OFFICE OF THE PUBLIC AUDITOR

A handwritten signature in black ink, appearing to read 'D. Flores Brooks', written in a cursive style.

Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Classification of Monetary Amounts

<u>Finding Area</u>	<u>Cost Exceptions¹⁷</u>	<u>Unsupported Costs¹⁸</u>
1) Questioned Payments to PAGGMA Officers, Members, and Non-Members		
a. Miscellaneous Exceptions	\$ 692	\$ -
b. Officers, Members, and Non-Members		
- 2001~2003 Treasurer	-	11,080
- 2001~2004 President	-	7,650
- 2000 President	-	3,837
- 2002~2003 Secretary	-	124
- Non-PAGGMA Member 1	-	263
- Non-PAGGMA Member 2	-	200
- Non-PAGGMA Member 3	-	200
- Non-PAGGMA Member 4	-	200
- All Others	-	10,196
d. Membership Benefits	875	-
c. Questioned Food Stamp Payments	-	-
2) Improper Use of Public Funds	5,000	-
3) Unauthorized Transfers of Unclaimed Cargoes	-	-
4) Solicitation from Port Authority of Guam Tenants	-	-
5) Lack of Systematic Checks and Balances Over PAGGMA Funds	-	-
Total	<u>\$ 6,567</u>	<u>\$ 33,750</u>

¹⁷ These are expenditures that have determined unallowable or otherwise improper based on available legal criteria based on the PAGGMA by-laws, Governor's Circular, AG's Opinion, etc.

¹⁸ These expenditures may be allowable. However, the accounting records or other documents available to the auditors did not provide adequate support for the costs.

Appendix 2:
Audit Scope and Methodology

The scope of the work encompassed the review of receipts, disbursements, and activities of the Port Authority of Guam Goodwill and Morale Association for the sixty-month period from October 1, 1999 through September 30, 2004.

The methodologies included:

- Gaining an understanding of the PAGGMA policies, procedures, and applicable laws and regulations regarding non-profit organizations.
- Reviewing PAGGMA's by-laws and constitution filed at the Department of Revenue and Taxation.
- Interviewing the PAG General Manager, Deputy General Manager, Financial Affairs Controller, and 2004~2005 PAGGMA President and Secretary/Interim Treasurer.
- Testing 100% of the auditable disbursement records (226 checks totaling \$135,021).

Except as noted in the scope limitation defined below, our investigative 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 of America. Accordingly, we obtained an understanding and performed an evaluation of PAGGMA's cash management and control environment. We included tests of records and other auditing procedures that were considered necessary under the circumstances.

Internal control weaknesses were identified and are discussed in the Results of Investigative Audit section of the report.

Scope Limitation

We reviewed PAGGMA's financial records in order to determine the extent of the alleged improprieties and ascertain the accuracy of the financial statements. However, we were unable to do so because adequate receipts and records were not available for most of the transactions. We received PAGGMA documents in boxes, with the documents from FY 2003 and prior in disarray.

In addition, cancelled checks for the months of October 1999 through December 2000 were not available for our review. Therefore, we reviewed the information on the check register and bank statements for these months.

Appendix 3:
Prior Audit Coverage

U.S. Department of Interior Report No. 98-I-14**October 1997**

During fiscal years 1994, 1995, and 1996, the Port Authority of Guam used public funds to pay for social events primarily for the benefit of its employees. The social events included Christmas parties and Labor Day picnics. These conditions occurred because the Port Authority's management believed it was within the Port Authority's purview to authorize expenditures for such events. As a result, public funds of at least \$42,641 were improperly spent for social events.

According to the Governor's Circular 97-01 and Attorney General's opinion GOV 98-0079, Government of Guam entities are prohibited from using government funds to pay for non-government and/or social activities.

According to the PAG management, recommendations in this report have all been addressed.

**Appendix 4:
Breakdown of Unsupported Disbursements**

(Page 1 of 3)

	<u>Date</u>	<u>Payee</u>	<u>Ck#</u>	<u>Signatory</u>	<u>Endorsed By</u>	<u>Event</u>	<u>Amount</u>	<u>Unsupported Amt.</u>
1	10/21/1999	2000 President	1307	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 1999	\$ 600	\$ 600
2	10/21/1999	2000 President	1308	2000 President/ 2000 Vice President	Can not evaluate from register	Labor Day 1999	300	119
3	10/20/2000	2000 President	1341	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 2000	1,100	218
4	10/23/2000	2000 President	1347	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 2000	650	650
5	10/26/2000	2000 President	1344	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 2000	4,615	2,250
Subtotal, 2000 President							\$ 7,265	\$ 3,837
6	3/13/2002	2001~2002 Secretary	1404	2001~2004 President/ 2001~2003 Treasurer	2001~2002 Secretary	Chamorro Week 2002	100	100
7	11/14/2003	2001~2002 Secretary	1507	2001~2004 President/ 2001~2003 Treasurer	2001~2002 Secretary	Port Week 2003	24	24
Subtotal, 2001~2002 Secretary							\$ 124	\$ 124
8	1/25/2002	2001~2003 Treasurer	1403	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	700	700
9	6/24/2002	2001~2003 Treasurer	1409	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	Liberation Day 2002	500	500
10	9/4/2002	2001~2003 Treasurer	1423	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	500	500
11	9/12/2002	2001~2003 Treasurer	1425	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	800	800
12	10/24/2002	2001~2003 Treasurer	1444	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	500	500
13	10/28/2002	CASH	1455	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	600	600
14	10/31/2002	CASH	1447	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	300	300
15	11/12/2002	CASH	1448	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	500	500
16	11/12/2002	CASH	1449	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	400	400
17	11/21/2002	CASH	1452	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	700	700
18	11/26/2002	CASH	1453	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	600	600
19	12/6/2002	CASH	1458	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	350	350
20	12/24/2002	CASH	1459	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	200	200
21	1/3/2003	CASH	1463	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	700	700
22	1/8/2003	CASH	1470	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	300	300
23	1/14/2003	CASH	1469	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	300	300
24	1/20/2003	CASH	1471	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	240	240
25	3/21/2003	CASH	1473	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	750	750
26	4/11/2003	CASH	1476	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	950	950
27	6/13/2003	CASH	1481	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	Relay for Life	300	300
28	8/12/2003	CASH	1497	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	420	420

	<u>Date</u>	<u>Payee</u>	<u>Ck#</u>	<u>Signatory</u>	<u>Endorsed By</u>	<u>Event</u>	<u>Amount</u>	<u>Unsupported Amt.</u>
29	9/2/2003	CASH	1500	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	120	120
30	9/3/2003	CASH	1499	2001~2004 President/ 2001~2003 Treasurer	2001~2003 Treasurer	No Explanation	350	350
Subtotal, 2001~2003 Treasurer							\$ 11,080	\$ 11,080
31	9/13/2001	2001~2004 President	1373	2001~2004 President/ 2001 Treasurer	2001~2004 President	Coastal Cleanup	100	100
32	10/17/2001	2001~2004 President	1376	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Port Week 2001	980	980
33	10/23/2001	2001~2004 President	1397	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Port Week 2001	800	800
34	12/21/2001	2001~2004 President	1390	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Christmas Party 2001	314	187
35	1/24/2002	2001~2004 President	1399	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	No Explanation	121	121
36	7/17/2002	2001~2004 President	1413	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Liberation Day 2002	1,000	511
37	7/26/2002	2001~2004 President	1418	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Liberation Day 2002	361	361
38	10/23/2002	2001~2004 President	1443	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Port Week 2002	3,500	1,925
39	10/25/2002	2001~2004 President	1446	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Port Week 2002	457	300
40	12/23/2002	2001~2004 President	1454	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Christmas Party 2002	700	700
41	1/20/2003	2001~2004 President	1468	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Christmas Party 2002	392	392
42	2/28/2003	2001~2004 President	1460	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Annual Mtg 2003	336	336
43	7/17/2003	2001~2004 President	1493	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Liberation Day 2003	377	377
44	11/2/2003	2001~2004 President	1505	2001~2004 President/ 2001~2003 Treasurer	2001~2004 President	Port Week 2003	350	350
45	12/2/2003	2001~2004 President	1508	2001~2004 President/ 2001~2003 Treasurer	Can not evaluate from register	Port Week 2003	209	209
Subtotal, 2001~2004 President							\$ 9,997	\$ 7,650
46	7/25/2002	Non-PAGGMA Member 1	1415	2001~2004 President/ 2001~2003 Treasurer	Non-PAGGMA Member 1	Liberation Day 2002	263	263
Subtotal, Non-PAGGMA Member 1							\$ 263	\$ 263
47	12/21/2001	Non-PAGGMA Member 2	1391	2001~2004 President/ 2001~2003 Treasurer	Non-PAGGMA Member 2	Christmas Party 2001	200	200
Subtotal, Non-PAGGMA Member 2							\$ 200	\$ 200
48	10/23/2000	Non-PAGGMA Member 3	1342	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 2000	200	200
Subtotal, Non-PAGGMA Member 3							\$ 200	\$ 200
49	4/27/2000	Non-PAGGMA Member 4	1321	can not evaluate from register	Can not evaluate from register	Earth Week 2000	200	200
Subtotal, Non-PAGGMA Member 4							\$ 200	\$ 200
50	6/19/2002	2002 Liberation Day Committee	1407	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Liberation Day 2002	75	75
51	6/26/2003	2003 Liberation Day Queen	1482	2001~2004 President	For deposit only	Liberation Day 2003	500	500
52	12/24/2001	Airline	1393	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Christmas Party 2001	129	129
53	10/11/2002	Bar / Club 4	1429	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Port Week 2002	448	448
54	12/22/1999	CASH	1311	2000 President/ 2000 Vice President	Can not evaluate from register	Kids Christmas Party	300	247
55	11/11/1999	CASH	1309	2000 President/ 2000 Vice President	Can not evaluate from register	Fundraiser	100	100
56	6/13/2000	CASH	1322	2000 President/ 2000 Vice President	Can not evaluate from register	Liberation Day 2000	100	100

	<u>Date</u>	<u>Payee</u>	<u>Ck#</u>	<u>Signatory</u>	<u>Endorsed By</u>	<u>Event</u>	<u>Amount</u>	<u>Unsupported Amt.</u>
57	6/30/2000	CASH	1325	2000 President/ 2000 Vice President	Can not evaluate from register	Liberation Day 2000	200	200
58	7/17/2000	CASH	1327	can not evaluate from register	Can not evaluate from register	Liberation Day 2000	1,000	118
59	6/13/2002	CASH	1405	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Liberation Day 2002	50	50
60	11/4/1999	CASH	1306	2000 President/ 2000 Vice President	Can not evaluate from register	No Explanation	2,000	2,000
61	12/28/2000	CASH	1354	can not evaluate from register	Can not evaluate from register	No Explanation	1,000	1,000
62	8/8/2003	Company 1	1496	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Fundraiser	205	205
63	12/2/2003	Country Club	1509	2001~2004 President/ 2001~2003 Treasurer	Can not evaluate from register	Port Week 2003	815	815
64	1/15/2002	Hotel 2	1400	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Christmas Party 2002	200	200
65	12/6/2002	Hotel 3	1457	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Christmas Party 2002	3,000	3,000
66	4/11/2003	Non PAGGMA Member 5	1477	2001~2004 President/ 2001~2003 Treasurer	Can not evaluate from register	Member Benefits	100	100
67	1/4/2002	PAGGMA Member 12	1395	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 12	Member Benefits	50	25
68	4/11/2003	PAGGMA Member 13	1475	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 13	Member Benefits	100	25
69	5/7/2002	PAGGMA Member 14	1402	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 14	Member Benefits	50	25
70	6/7/2001	PAGGMA Member 15	1361	2001 Treasurer/ Another Officer	Can not evaluate from register	Member Benefits	25	25
71	10/9/2003	PAGGMA Member 16	1503	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 16	Member Benefits	50	25
72	7/15/2003	Non PAGGMA Member 6	1491	2001~2004 President/ 2001~2003 Treasurer	Non PAGGMA Member 6	Member Benefits	100	50
73	3/5/2003	PAGGMA Member 18	1472	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Member Benefits	100	25
74	8/2/2001	PAGGMA Member 19	1362	2001~2004 President/ 2001 Treasurer	PAGGMA Member 19	Member Benefits	150	125
75	1/10/2002	PAGGMA Member 21	1398	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 21	Member Benefits	50	25
76	3/4/2003	Non-PAGGMA Member 7	1462	2001~2004 President/ 2001~2003 Treasurer	Non-PAGGMA Member 7	Member Benefits	100	25
77	3/4/2003	PAGGMA Member 24	1461	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 24	Member Benefits	50	25
78	10/4/2002	PAGGMA Member 26	1427	2001~2004 President/ 2001~2003 Treasurer	PAGGMA Member 26	No Explanation	50	50
79	6/15/2000	PAGGMA Member 27	1324	2000 President/ 2000 Vice President	Can not evaluate from register	Port Week 1999	54	12
80	9/10/2001	Non PAGGMA Member 9	1371	2001~2004 President/ 2001 Treasurer	Non PAGGMA Member 9	Labor Day 2001	150	150
81	6/17/2002	Non PAGGMA Member 10	1406	2001~2004 President/ 2001~2003 Treasurer	Non PAGGMA Member 10	Liberation Day 2002	200	114
82	7/23/2002	Non PAGGMA Member 11	1414	2001~2004 President/ 2001~2003 Treasurer	Non PAGGMA Member 11	Liberation Day 2002	15	15
83	6/20/2002	Restaurant 1	1408	2001~2004 President/ 2001~2003 Treasurer	For deposit only	Exec.Meeting	51	51
84	3/21/2003	Restaurant 2	1474	2001~2004 President/ 2001~2003 Treasurer	Can not evaluate from register	Port Week 2002	17	17
85	10/23/2000	Southern High School	1346	2000 President/ Another Officer	Can not evaluate from register	Port Week 2000	100	100
Subtotal, Others							\$ 11,683	\$ 10,196
TOTAL*							\$ 41,012	\$ 33,750

* Totals may not add up due to rounding.

Appendix 5:
PAGGMA Membership Benefits (1992 By-Laws)

The following membership benefits are to be given to members to promote goodwill:

❑ Death

	<u>Married</u>	<u>Single</u>
Member	\$100	\$100
Spouse	50	-0-
Child	25	25

❑ Hospitalization- \$25 goodwill allowance and Get Well card

❑ Birthday and Christmas- card for each member

❑ Departure

- Resignation- \$25 savings bond (must be an active member for two consecutive years)
- Retirement- \$50 savings bond (must be an active member for four consecutive years)

❑ Charitable Organization/Association- \$100

❑ Non-Charitable Organization/Association- not to exceed \$50 and only upon approval of the Executive Committee.

Appendix 6:
Port Authority of Guam Reports

(Page 1 of 12)

PORT AUTHORITY OF GUAM
ATURIDAT I PUETTON GUAHAN
Jose D. Leon Guerrero Commercial Port
GOVERNMENT OF GUAM
INTERNAL AUDIT
1026 Cabras Highway, Ste. 201
Piti, Guam 96925

received
Conf 11/17/03

November 17, 2003

INTER-OFFICE MEMORANDUM IA03-16

TO: General Manager
VIA: Deputy General Manager [REDACTED]
FROM: Management Program Analyst [REDACTED]
SUBJECT: P.A.G.G.M.A. Financial Records and Activities

An audit was performed on Port Authority of Guam Goodwill & Morale Association (PAGGMA), September 24, 2003. The object of my audit is to review the Financial Statements, Expenditures, and Revenues for FY 2001, 2002, and the remainder of 2003 and present findings to management.

This audit accounted for the monies donated to the Association from the Port Authority of Guam in the amount of \$15,000.00 on October 18, 2002 for the 2002 Port Week activities and a reimbursement amount of \$7,197.00 on November 27, 2002 for FY 2001 and FY 2002 Port Week activities. To satisfy their proof of expense, below is a breakdown of the following:

1. **\$15,000.00 (donated)**
 - \$280.00 - Purchase of round trip ticket to Rota; no cancel check showing proof of purchase for tickets and if were purchased to use as a Grand prize there is no proof of a winner provided from the 2002 Port Week Golf Tournament.
 - \$96.00 - Fontana Alte Restaurant. Same receipt number submitted separately with two different cost (ex. \$25 & \$71)
 - \$900.00 - An event that happen in November after the Port Week Celebration.
 - \$1,350.00 - A distribution of cash for Golf, however, no list of Golf Winners submitted to justify disbursement of funds.
 - \$275.00 - A distribution of cash for Pool, however, no list of Pool Winners submitted to justify disbursement of funds.

***Note:** Of the \$15,000, the amount of \$2,901.00 remains as their total with insufficient proof of such expense.

2. **\$7,197.00 (reimbursement) - This amount has satisfied records and receipts for proof of their expenses.**

Subject: P.A.G.G.M.A. Financial Records and Activity
Page 2

Furthermore, an audit was conducted on the records available from the Association; an interview was done with the current President, Treasurer and previous officers of the Association. Included is a reconciliation of my data provided by the General Accounting Section to satisfy my findings listed below:

FINDINGS:

- 1) At present, they show poor condition of their record keeping enabling them to account for only partially or none of the activities/functions and fundraises sanctioned by the Association.

Recommend: The Association should take note on the biggest events they sponsor each year, such events as the "Liberation Day Festivities, Labor Day Picnic, Port Week Activities and the Christmas Party". Create a jacket/folder to attain all Revenues and Expenses (Receipts), Donations from Vendors, Prizes Given-Away "raffle", or even as far as the volunteer names to be recognized and to account for their time and effort.

- 2) Several fundraisers in FY 2002, FY 2003 for Bricks, Sodas, and Water bottle sales; to include fees/payments for previous Golf Tournaments, Bowling, Karaoke and other major functions show no report of monies raised /received for these functions. A statement was never included in their finances indicating the activity such monies.

Recommend: A statement must be generated for every fundraiser this Association has had. Cash prizes, donated gifts and raffle prizes must show a list of amount and winners. Accountability of all income must be updated and printed for their records. Identify the resources of monies generated such as: ex: karaoke fundraiser, vendor donations or sales from damage goods to include in the Annual Financial Statement. These monies must be identified and separated from the member's contribution. Any donated gifts left over in the possession of this Association must have an inventory list. This list will include the donating vendor/agent and date of event/function it was donated for.

- 3) PAGGMA Checks are not distributed in sequence by numeric/chronological manner. It's evident that the checks were not in control for disbursement. Furthermore, found were unknown checks and checks made out to cash without proper justification. Numerous cancelled checks also not on file.

Recommend: Such practice must stop! A better control and accountability of checks must be addressed among these officers. Checks must be distributed in sequence order and dated as disbursed. Making all effort to follow-up on cancelled checks for their files. No checks be made to CASH for anyone at anytime. No checks are to be signed BLANK and be disbursed without proper justification. Justify all checks for whatever event, function, or to whom it was made out. If checks were to be disbursed in large amounts (ex: committee chairperson) for a specific function, a contract must be created or forms stating the responsibility and accountability for the monies and receipts of such funds. Indicate specific date on the contract for the return of unused funds and receipts when such events are done. There are many ways these officers can create ideas to account for their expenses.

- 4) No regular quarterly meetings.

Recommend: Adhere to the PAGGMA BY-LAWS page 7, section 1. Annual Meeting, par. A "there shall be a quarterly general meeting of the Association to be held on the last month of the quarter. . . ". Keep minutes of the meetings. These minutes must be kept on file as required by the President and the Committee.

Subject: P.A.G.G.M.A. Financial Records and Activity
Page 3

- 5) Financial Statements are not updated quarterly or annually.

Recommend: As stated on the PAGGMA BY-LAWS page 6, section D., par. 4 "Submit a financial statement at each regular meeting of the Association and have a current financial statement available . . ." also stated on page 7, section I., par. A.(2) which reads "There shall be a quarterly general meeting of the Association to be held on the last month of the quarter and the Agenda will be as follows: (2) Treasurer's Report to include (Financial Statement)." The President, Vice-President, Treasurer and the Secretary must work together to inform one another of such reports. A constant mindful need to control and account for the Revenues and expenses would keep the members, non-members and the public citizen informed of their financial status. This in turn will give a better reflection to the Association on their commitment and faithfulness to their work and effort.

- 6) No elected Committees as stated on PAGGMA BY-LAWS page 2, section 4, "The following shall be the established committees of the Association." These committees are the Executive, Ways and Means, Employee's Interaction and Goodwill, Finance, Nominating, and Publication.

Recommend: A need to establish committees is a must. This is done by identifying employees interested and willing to volunteer and commit themselves to the association. Second, hold a forum to discuss the purpose and function of such committees; and third, have an election to create such committees. The establishment of these committees will in turn give the Association's officers the support administratively, as well as providing manpower for publicity, gift solicitation, fundraises or any other need the association may have that the Executive committee is not able to perform. Because of the establishment of these committees, a check and balance will be in place.

- 7) The Association's letters, memos, bank statements, or cancelled checks are being routed to various offices (ex: Accounting Section, or General Managers Office) as they arrive at the Port for distribution.

Recommend: The Association must retain their own independent drop box at the General Administration Office for all correspondence pertaining to PAGGMA matters. Centralize the admission of the correspondence so the liability of receiving their documents will only be the Association's responsibility and no one else. This must be adhered to "As Soon As Possible" for the safe and confidentiality of the Association's records.

- 8) Officers responsibilities are not being adhere to as clearly stated on the "PAGGMA BY-LAWS".

Recommend: The President of the Association must delegate the responsibility among the officers as specified in the PAGGMA BY-LAW. This will allow the President to exercise his main function and relinquish this "one man show" type deal; on the other hand management also plays a major role to insure and give support to the officers during working hours by allowing them to perform the duties acquired from them. Plan your meeting, have an agenda (fundraises, function, or special event) weeks or months prior to. I am sure that Management is more than willing to cooperate and support the Association sponsored activities in helping make them as successful and entertaining for all to enjoy. Teamwork and team players must be presence in this type of organization.

Subject: P.A.G.G.M.A. Financial Records and Activity
Page 4

9) Cashed out checks were made to individuals in large amounts. Unknown checks and checks without proper justification dating from October 2001 to September 2003 were found against the check books, cancelled checks, and Accounting Section Transaction Journal Report. A breakdown of check amounts is listed as follow:

Antonio Susuico, President	\$ 1,324.76	(Check cashed out to)
Charles Pangelinan, Treasurer	\$ 8,440.00	(Check cashed out to)
Unknown Checks	\$ 4,813.97	(No canceled check in file, no justification On check book for use of monies)
Cash/Check to?	\$ 3,670.50	(Reimbursement to individuals w/out proper Proof of receipts)
Total Amount	\$ 18,249.23	
Donated money not accounted for:	\$ 2,901.00	(Insufficient proof of expense from the \$15,000 donated for 2002 Port Week)
Grand Total	\$21,150.23	(Monies in (?) question)

Recommend: To resolve this matter immediately. The Association must correct and finalize the unexplainable expense incurred as shown above (\$21,250.23) and meet with management to discuss the settlement of such funds. After resolving their discrepancies the association should schedule or call a meeting for all officers, active members and Port employees to show forth a proof of accountability of monies spent and their actions. Conclude with a total summary of their financial statement on all records attached to close their books accordingly. File all their financial reports to the Department of Revenue and Taxation as required of them as a non-profit organization. Officers must also meet to revise or make changes that are being currently practiced by the association or adhere to the by-laws already existing.

Affect: By addressing these findings it will allow the officers to realize the importance of being more efficient, accountable and responsible to the active members and the community. The growth of the association with the help of its members is based on the officers' commitment and loyalty to the well being of this organization.

Comments:

The officers must understand that their existence and that of PAGGMA is solely reliant on the members and their contributions. Without them, there will be no association. It takes contributing employees to make an organization. It is only appropriate that the members, as well as management have every right to know of the welfare of the association and the use or disbursement of their contributions.

Their duty as officers to this organization means that they must be kept accountable for their actions and the decisions they make on behalf of the association and its active members. It is inevitable that our association must interact with the public in order to maintain its purpose and commitment to the members. The honesty and integrity of the association is a reflection of the Port Authority of Guam in itself. The Port Authority of Guam has always been known to be an agency that is self-sustaining. We make our own money and can account for it. Our association should be likewise. They must represent. After all, the name of our association is P.A.G.G.M.A. - Port Authority of Guam Goodwill and Morale Association.

Should you have any questions or comments regarding the above, please feel free to contact me at extension 324.

PORT AUTHORITY OF GUAM
Jose D. Leon Guerrero Commercial Port
Piti, Guam

December 4, 2003

INTER-OFFICE MEMORANDUM

TO: General Manager
VIA: Deputy General Manager
FROM: Financial Affairs Controller
Program Coordinator IV
Personnel Services Administrator

SUBJECT: Audit of PAGGMA Funds for Fiscal Years 2002 & 2003

On November 20, 2003, you requested the Financial Affairs Controller to form a committee comprised of representatives from Marketing/Public Relations and Human Resources divisions to review the financial statements issued by the Port Authority of Guam Goodwill & Morale Association for Fiscal Years 2002 and 2003. It was requested that an audit report be submitted to your office within 2 weeks of your directive (December 4th).

Since your directive, the following events had occurred:

1. November 21, 2003: The Financial Affairs Controller sent a memorandum to the President of PAGGMA requesting for a detailed listing of the various revenue and expense accounts listed in the Fiscal Years 2002 and 2003 financial statements. It was asked that the information be submitted no later than 4:30 p.m., November 24, 2003.
2. November 24 & 25, 2003: No documents were received from PAGGMA.
3. November 26, 2003: The committee met to review the audit from Internal Audit Division and documents from Finance Division. At about 4:30 p.m., the PAGGMA President submitted the cancelled checks, bank statements and printout worksheets to the Financial Affairs Controller. There was no detail listing or supporting documents, such as, receipts and invoices submitted. Before 5:00 p.m., he submitted a folder containing receipts but took it back. He said he would arrange receipts and submit it the first hour, the next day.
4. November 28, 2003: The President retrieved the cancelled checks from the Financial Affairs Controller. He was given a listing of checks and deposits with description and category and asked to indicate the description of expenses for those payments made to cash or blank description.

SUBJECT: Audit of PAGGMA Funds for Fiscal Years 2002 & 2003
Page 2

5. December 1, 2003: The audit committee met to discuss the interviews conducted with former association officers and the updated disbursement and deposit listings.
6. December 2, 2003: PAGGMA submitted cancelled checks to the committee for review.

Because of the lack of information needed to thoroughly conduct an audit of PAGGMA's finances and based on the documents the committee had in their possession, the following findings are being made:

Findings

1. Non-Profit Organization Status: Through discussions with Department of Revenue & Taxation, it was discovered that PAGGMA was never given a certificate to operate as a non-profit organization. It is recommended that the Association rectify this matter as soon as possible.
2. By-Laws: The registered by-laws of the association with Department of Revenue & Taxation are dated March 23, 1992. The committee was provided with a draft copy amended by-laws, however, it was not signed by the officers of the association nor was any amendments filed with Department of Rev & Tax. During our review, it was revealed that the Association was inconsistent with the registered by-laws, as follows:
 - a. Member Benefits: According to the registered by-laws, the member benefits are as follows:

(1) <u>Death</u> :	Married	Single
Member	\$100.00	\$100.00
Spouse	50.00	.00
Child	25.00	25.00
 - (2) Hospitalization: \$25.00 goodwill allowance and get well card
 - (3) Departure:
 - (a) Resignation: \$25.00 savings bond (only on good conduct and must be an active member for 2 consecutive years)
 - (b) Retirement: \$50.00 savings bond (must be an active member for 4 consecutive years.
 - (4) Charitable organizations/associations: \$100.00
 - (5) Non-charitable organizations/associations: \$50.00 and only upon approval of the Executive Committee.

However, based on the worksheet prepared by Finance Division, the Association has been disbursing member benefits not consistent with the by-laws. The disbursements were as follows:

SUBJECT: Audit of PAGGMA Funds for Fiscal Years 2002 & 2003
Page 3

- (1) Medical assistance for member - \$100.00
- (2) Hospitalization for member - \$50.00 or \$100.00
- (3) Retirement for member: \$100.00
- (4) A payment was made to the Guam Hotel & Restaurant Association—a non-profit organization—for \$200.00.

- b. Membership Dues: The registered by-laws state that membership dues are \$1.00 a pay period. The current payroll deduction for PAGGMA members is \$2.00 a pay period. There was no documentation substantiating the increase.
 - c. Disbursement of Funds: As stated on the by-laws, the Executive Committee or the President of the Association must sanction all funds for the Association. Based on interviews with the former officers, disbursements of funds were approved by the Executive Committee. Only the President and Treasurer agreed upon disbursements made by the current officers. Based on a statement made by the President, he pre-signed blank checks in the event he or the Treasurer was unavailable to disburse funds.
 - d. Meetings: Quarterly meetings of the association are to be held at the last month of the quarter, at which time, the financial report is to be submitted. Based on the current officers, there were no meetings held except recently.
3. Sales of donated items and monetary donations: The Authority donated to PAGGMA unclaimed cargoes, e.g., bricks, soft drinks and water. The Association could not provide a detailed listing of donations and sales received, as well as, the receipts to justify the sales of donated items. The deposits made to the Association's bank account could not distinguish if the monies were for membership dues, sales of donated items or cash donations from private companies.
4. Expenses without supporting documents: From October 2001 to October 2003, checks were issued to the following officers or made payable to cash without supporting documentation:

	<u>Total Amount</u>
a. Treasurer	\$12,080.00
b. President	10,035.58

The Treasurer endorsed the checks made payable to cash. Much of these checks were also written during a time when no PAGGMA related activities were taking place.

We had requested documentation to support the expenses and revenues but the President and Treasurer were not able to provide invoices or receipts to substantiate the issuance of checks.

SUBJECT: Audit of PAGGMA Funds for Fiscal Years 2002 & 2003
Page 4

5. PAGGMA Funds: In September 2001, the fund balances for the Association was \$10,073.41. The total deposits for the period of October 2001 to October 2003 made were \$67,446.83. Total disbursements for the same period were \$78,064.51. As of October 31, 2003, the account balance is \$1,064.41.

As stated above, we were unable to distinguish in the deposits if the cash was for membership dues, sales of donated items and cash donations from private companies. Because deposit slips were not available for review, we could not identify if deposits into the account comprised of cash or checks. Additionally, there was no documentation provided (such as association's minutes) to substantiate the approval or ratification of the disbursement of funds.

6. Financial Statements: The financial statements issued by the Treasurer or PAGGMA officers in February 2003 and November 2003 contained different expense numbers for the same events compared to the listing compiled by Finance Division as shown below:

Events	February 2003	November 2003	*Finance Division
Port Week 2001	\$ 2,697.74	\$16,749.73	\$15,630.50
Port Week 2002	500.00	18,237.36	22,224.64
Port Week 2003		890.00	540.00
Christmas 2001	13,092.27	14,016.55	13,592.27
Christmas 2002	1,238.08	5,832.87	4,882.15
Liberation Day 2001			71.29
Liberation Day 2002	3,643.89	4,113.11	3,592.89
Liberation Day 2003		3,902.87	3,155.43
Labor Day 2001			429.74
Labor Day 2002	1,954.64	1,258.40	654.64
Labor Day 2003		675.61	337.37

* Amounts provided by Finance Division were based on the breakdown of check descriptions provided the Association and the time period wrote it. These amounts are unaudited.

The expense for the Port Week 2003 is inaccurate. According to the Port Week report, the expenses issued under PAGGMA were for the band and Skip Dancers—totaling \$350.00. These expenses were from cash donations from private companies or karaoke contest proceeds and not from PAGGMA funds. The rental fees for the karaoke contest, pool & dart and bowling tournaments were from the entrance fees paid by the participants.

Donations: The financial statement of February 2003 did not reflect the Port monies given to PAGGMA for Port week activities in the amount of \$10,000 (2001), \$15,000 (2002) and reimbursement of \$7,197.00. In addition, a number of agents, tenants, and Port users also made monetary contributions or donations for raffle prizes, however, the Association failed to keep a record of these proceeds. We are unable to determine what was received and if all were given out during PAGGMA events. Additionally, it was revealed that the Association sold raffle tickets to Port employees during 2001 Port Week and Christmas Party. One of the grand prizes was an airline ticket from Freedom

SUBJECT: Audit of PAGGMA Funds for Fiscal Years 2002 & 2003
Page 5

Air. Rather than purchasing the tickets with the proceeds from the raffle sales, they utilized Port monies instead.

Fundraisers: Throughout the years in question, numerous fundraising events took place. The association failed to properly document these events. Records provided by the President did not enumerate the fundraising events the monies raised. Former officers confirmed that fund-raisers were held, however, the financial statements did not reflect the individual events and amounts received but rather a total amount for the fund-raisers held during the year.

The receipts/invoices for the Port Week expenses provided by PAGGMA to Finance Division for the monies given by the Authority are questionable. It was revealed that same receipts were utilized, however, the amounts expended are different or signatures indicated on the invoice are not the same.

RECOMMENDATIONS

Based on the documents we had in our possession and the non-cooperation displayed by the officers in failing to provide us with all the necessary information to conduct an accurate audit, it appears that there may be improprieties made on behalf of the officers regarding the disbursement of PAGGMA and Port funds, as well as, revenues received for donated items by Port. Additionally, we would like to state that based on the memoranda issued to the President and Treasurer, they were given ample time (since September 2003) to provide their justification to Port management on the finances of the Association. If receipts were in their possession as they claim, it would already have been submitted to the committee. Again, delay tactics were used to prolong the review by the committee.

In light of the above, it is recommended that:

1. the matter be referred to the Office of the Public Auditor for her disposition and review;
2. the President and Treasurer voluntarily step down from office until this issue is resolved;
3. the PAGGMA check book and all communications should also be surrendered to management;
4. membership dues be suspended and employees be appropriately informed;
5. all PAGGMA sponsored activities be suspended; and
6. the remaining officers of the Association submit all required documents and returns to comply with Department of Revenue & Taxation's regulations.

PORT AUTHORITY OF GUAM
Jose D. Leon Guerrero Commercial Port
Piti, Guam

December 19th 2003

INTER-OFFICE MEMORANDUM

TO: General Manager
VIA: Deputy General Manager
FROM: Financial Affairs Controller
Program Coordinator IV
Personnel Services Administrator
SUBJECT: Second Review of PAGGMA Receipts and Disbursements
For Fiscal Years 2002 and 2003

This is to supplement our memorandum to you dated December 4, 2003.

The following events occurred which resulted in the second review of PAGGMA receipts and disbursements for Fiscal Years 2002 and 2003.

1. December 9, 2003: A meeting was held with [REDACTED] PAGGMA President, Deputy General Manager and yourself with the Audit Committee members. At that meeting, [REDACTED] had submitted additional receipts to substantiate the expenses disbursed by PAGGMA during the Fiscal Years 2002 and 2003. He requested that the committee review the receipts submitted to formulate a final report based on the additional documents submitted. After discussion amongst the members, it was agreed to review the additional documents. [REDACTED] was asked to make himself available during the review in the event the members would like to clarify certain items. In addition, he was requested to turn in all documents related to PAGGMA to the committee.

He was also instructed to suspend all PAGGMA activities and voluntarily step down as President during the review process.
2. December 10 to 15, 2003: The members were compiling the receipts, as well as, a breakdown of deposits by fiscal years and events.
3. December 16, 17 and 18, 2003: The members met to review the spreadsheets on the expenses and revenues.
4. December 19, 2003: The committee members requested to meet with Mr. Susuico to clarify certain receipts, however, he is not available because of personal reasons.

SUBJECT: Second Review of PAGGMA Receipts and Disbursements
For Fiscal Years 2002 and 2003

Page 2

Findings

Based on the information provided and in addition to our findings outlined to you in our memorandum dated December 4, 2003, the following findings are being made:

1. Receipts:

- a. VIP Rewards receipts were provided as proof of expenditures. There was no breakdown attached to the receipt as to the type of merchandise purchased.
- b. There were two receipts that indicated the merchandise was purchased with food stamps.
- c. Several receipts provided indicated purchase of a car battery; tire repair, and pharmacy medication.
- d. Receipts from a grocery store showed the items were received as a store credit.
- e. Several receipts were provided with the same receipt numbers, however, different purchase amounts.
- f. Receipts from a duty free store showed the date of purchase were for the year 1999.
- g. A total of \$776.89 was reimbursed to certain PAGGMA members for fuel costs.
- h. Receipts for purchase of individual meals, drinks, lunch buffet, cigarettes were provided.

It should be noted that although checks were disbursed to individual organizations or persons, there were no receipts to substantiate the disbursement, i.e., Guam Hotel & Restaurant Association, Christmas Party deposit, and member benefits.

2. Deposits:

- a. Based on the microfilm deposit documents provided by Bank of Hawaii, during the two-year period, there was only 2 cash deposits made to PAGGMA account.
- b. A comparison of the deposits and PAGGMA financial statements showed differences in revenues received per event.
- c. When reviewing the PAGGMA correspondence, a breakdown of revenues received for the bingo fund-raising, 2001 and 2002 Port Week Golf tournaments were discovered, however, we were unable to distinguish if such cash monies received were deposited into the account.

SUBJECT: Second Review of PAGGMA Receipts and Disbursements
For Fiscal Years 2002 and 2003

Page 3

3. Financial Statements: The latest PAGGMA financial summary was used in our review. The latest summary's revenue and expense amounts were inconsistent with the previous financial summaries.

Based on our second review, the documents provided did not substantially answer the discrepancies that our original report pointed out. Although, the President provided the majority of the receipts submitted, we were unable to identify if these receipts were for checks made out to the President or Treasurer.

Again, it appears that there may be improprieties made on behalf of the officers regarding the disbursement of PAGGMA and Port funds, as well as, revenues received for donated items by the Port.

Recommendations

Based on our second review, in addition to those recommendations outlined in our December 4th memorandum, it is suggested that:

1. That the President appoint an interim President and Treasurer to allow the Association to continue to function as a non-profit organization;
2. That the President and Treasurer remove their names as the Association's authorized bank signatories and replace their names with the current remaining or interim officers.

We are attaching copies of financial summary comparison for Fiscal Years 2002 and 2003 and schedules of expenses and revenues.

**Appendix 7:
OPA's Internal Control Checklist**



OFFICE OF THE PUBLIC AUDITOR

INTERNAL CONTROL CHECKLIST

This internal control checklist is designed to help Directors assess their agency's internal controls and to provide guidance in implementing controls where weaknesses are presented. This is not an all-inclusive list of internal controls and should be used as a general guide to ensure that basic internal controls are in place. Please note that answering "yes" indicates that a desired control is in place; answering "no" indicates that a control weakness may be present, and corrective action may be necessary. Keep in mind that some questions may not be applicable to all operations.

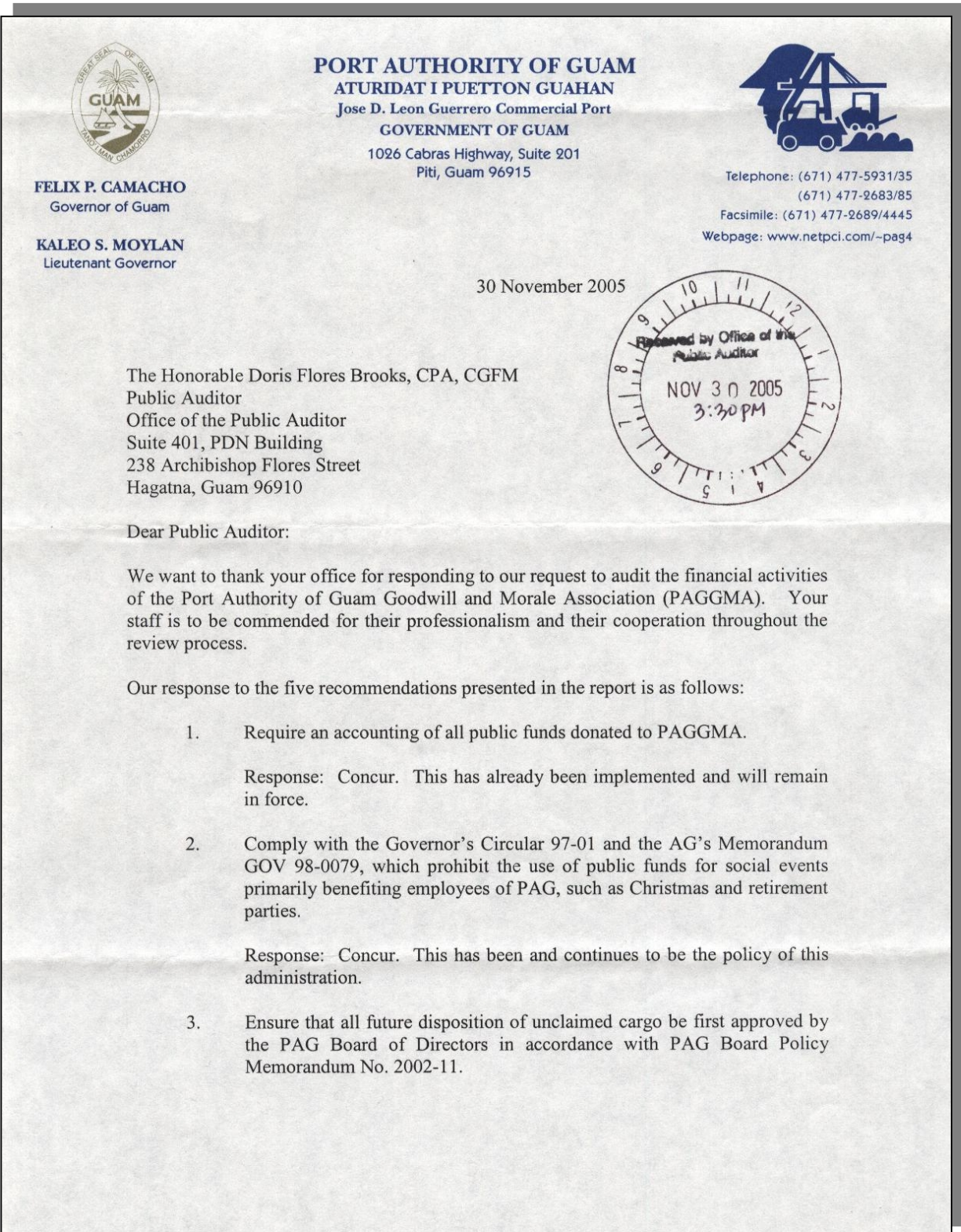
	Yes	No	N/A	Comments
General Controls				
• Does the entity have an accounting system such as QuickBooks, Peachtree, MAS 90, etc.?	_____	_____	_____	_____
• Does the entity have adequate written statements and explanations of its accounting policies and procedures?	_____	_____	_____	_____
• Are accounting policies and procedure manuals updated as necessary?	_____	_____	_____	_____
• Are manuals distributed to appropriate personnel?	_____	_____	_____	_____
• Is there a periodic review of accounting procedures with all staff?	_____	_____	_____	_____
Cash Receipts				
• Are responsibilities for collecting, depositing, and recording cash receipts performed by different individuals?	_____	_____	_____	_____
• Are cash receipts recorded on pre-numbered duplicate receipt forms with the original copy given to the payer?	_____	_____	_____	_____
• Are deposits compared on a daily basis to pre-numbered receipt forms by someone other than employee initially receiving cash?	_____	_____	_____	_____
• Is "For Deposit Only" stamped on incoming checks as soon as received?	_____	_____	_____	_____
• Are all checks received made payable to the entity?	_____	_____	_____	_____
• Are adequate physical facilities provided for safeguarding cash until it can be deposited (locked away)?	_____	_____	_____	_____
• Does adequate accountability exist to identify who is responsible for cash at any given time (Is responsibility for cash receipts fixed from the time they are received until sent to the bank)?	_____	_____	_____	_____
• Are cash receipts deposited on a daily basis?	_____	_____	_____	_____

	Yes	No	N/A	Comments
● Are Deposit/Receipt Forms and supporting documentation reviewed by an employee not involved with the cash collection process?	_____	_____	_____	_____
● Are cash overages or shortages reported?	_____	_____	_____	_____
● Are employees prohibited from using cash receipts to make cash disbursements?	_____	_____	_____	_____
● Is a comparison of daily reported receipts conducted on a test basis to bank statements to verify timeliness of deposits?	_____	_____	_____	_____
Cash Disbursements				
● Are responsibilities for disbursement preparation and disbursement approval functions segregated from those recording or entering cash disbursements information?	_____	_____	_____	_____
● Are all cash disbursements made by check?	_____	_____	_____	_____
● Are pre-numbered triplicate checks used where the original check is given to Payee, the duplicate filed in the vendor file and triplicate saved as the check register copy?	_____	_____	_____	_____
● Are dual signatures required on all checks?	_____	_____	_____	_____
● Are disbursements made only when approved by authorized persons?	_____	_____	_____	_____
● Are all bills or disbursement vouchers presented together with the checks for signature?	_____	_____	_____	_____
● Are all supporting documents properly marked "Paid" at time of signature to prevent duplicate payment?	_____	_____	_____	_____
● Are all bills or disbursement vouchers approved by someone other than the check signer?	_____	_____	_____	_____
● Are voided checks preserved and filed after appropriate mutilation?	_____	_____	_____	_____
● Is there a written prohibition against drawing checks payable to cash?	_____	_____	_____	_____
Financial Records				
● Is a monthly review and reconciliation of all bank statements and correspondence performed (preferably within 15 days after the statement date)?	_____	_____	_____	_____
● Is a monthly review and reconciliation of all bank statements and correspondence performed by someone unrelated to the cash receipts or disbursement functions?	_____	_____	_____	_____
● Does a responsible official, other than the preparer, review completed bank reconciliations?	_____	_____	_____	_____
● Is the completed bank reconciliation initialed and dated by both the preparer and the reviewer?	_____	_____	_____	_____

	Yes	No	N/A	Comments
<ul style="list-style-type: none"> Does the entity's accounting system allow management to record financial transactions, view the data by category, and create timely reports to maintain accountability for the government's assets? 	_____	_____	_____	_____
<ul style="list-style-type: none"> Is computerized data backed up daily and source documents retained? 	_____	_____	_____	_____
<ul style="list-style-type: none"> Are all financial recording documents sequentially pre-numbered, retained, and accounted for, including spoiled or voided forms? 	_____	_____	_____	_____
<ul style="list-style-type: none"> Are records properly guarded from fire, theft and manipulation? 	_____	_____	_____	_____
<ul style="list-style-type: none"> Are monthly financial statements (e.g. Trial Balance, Balance Sheet, Income Statement, etc.) prepared? 	_____	_____	_____	_____
<ul style="list-style-type: none"> Are monthly financial statements reviewed and approved by the director? 	_____	_____	_____	_____

Appendix 8:
Port Authority of Guam's Management Response

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30 November 2005
Page Two

Response: Concur. This has been and continues to be the policy of this administration.

4. Request an opinion from the Attorney General (AG) regarding whether a conflict of interest exists when PAG employees solicit from its tenants and other businesses. Pending the response from the AG, PAG employees should not solicit from its tenants and other business.

Response: A request for an opinion will be sent to the Attorney General. Concur.

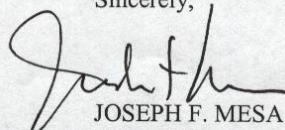
5. Establish a policy that is consistent with the AG's opinion as to whether or not PAG employees are allowed to solicit from its tenants.

Response: Upon receipt of the AG's opinion a policy will be developed for Board's approval.

Management concurs with the four (4) recommendations submitted for PAGGMA and will work closely with the Officers of the association to ensure that the recommendations are implemented. Management also concurs with the suggestion of providing oversight over PAGGMA. A quarterly review of the association's documentation and activities will be implemented.

Again, we want to thank your fine staff for their assistance and cooperation in finalizing this audit. Please feel free to contact me directly if we can be of any assistance.

Sincerely,



JOSEPH F. MESA
General Manager

Copy: PAG Board of Directors
PAGGMA Officers

**Appendix 9:
PAGGMA Officers' Response**

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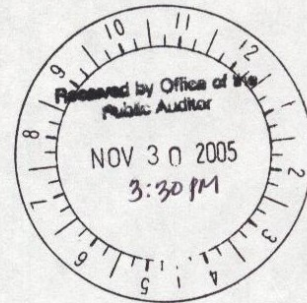


Port Authority of Guam Goodwill & Morale Association

1026 Cabras Highway Suite 201Piti, Guam 96914 Tel: 477-5931-4 ext.204/240 fax 477-2689

November 30, 2005

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of the Public Auditor
Suite 104, Pacific News Building
238 Archbishop Flores Street
Hagatna, Guam 96910



Subject: Response to PAGGMA audit report

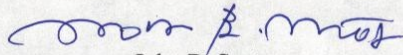
Dear Mrs. Brooks,

The officers of PAGGMA have reviewed and completed the following recommendations as specified on your audit report:

1. Implement recommendations made in Port Authority of Guam internal reports:
 - matter has been submitted to your office for review
 - former President and Treasurer have stepped down from office and are no longer active members of the association.
 - PAGGMA checkbook was initially surrendered to PAG management is has been returned to current officers
 - membership dues were initially suspended but has now been restored
 - current officers are working with Department of Revenue and Taxation to comply with applicable regulations
2. Ensure that the benefits of the memberships are consistent with those specified in the bylaws allowing all PAGGMA members to receiving equal benefits to avoid the perception of preferential treatment:
 - Member benefits are restricted to \$25 per member as specified in the bylaws.
3. Prohibit the reimbursements of grocery receipts paid with food stamps.
 - No reimbursements will be made for grocery paid with food stamps or without proper receipt or documentation.
4. Pay prize money to each winner by check, rather than with cash:
 - Prizes will only be made out by check to the event winners. In addition, we have implemented most of actions identified in the internal control checklist included in your audit.

I would like to thank you and your staff for taking the time to review all the documents submitted in spite of its disarray. Should you have any questions, please contact me at 477-5931 ext. 233 or 240.

Sincerely,

A handwritten signature in blue ink, appearing to read "John B. Santos". The signature is fluid and cursive, with a prominent initial "J" and "S".

John B. Santos
President

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **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.