



**EXECUTIVE SUMMARY**  
**Government-Wide Credit/Debit Card Use Series, Part IV**  
**Port Authority of Guam**  
**OPA Report No. 24-06, March 2024**

Our audit of the Port Authority of Guam’s (PAG) credit card program found that, from fiscal years (FY) 2020 to 2022, PAG officials used their corporate credit cards contrary to or not in compliance with certain provisions of its credit card policy and procedures, the Guam Procurement Law and Regulations, and the Government Travel Law. Specifically, we found:

- Processed credit card charges were made contrary to the entity’s policy relative to purchases, approval, and accounting;
- Purchases were made contrary to the Guam Procurement Law and Regulations’ small purchase requirements; and
- Clearances contrary to the Government Travel Law supported with untimely and inaccurate expense reports.

As a result, we questioned \$10 thousand (K) in purchases, which comprised 26% of the \$38K total samples tested and 6% of the \$171K total credit card expenditures. Based on our review, we did not identify any instances of fraud or abuse for the transactions tested.

We conducted a compliance audit of the PAG’s credit card use as part of our audit on the Government of Guam (GovGuam)’s utilization of credit and debit cards for purchases. This audit was included in our 2023 annual audit plan due to the inherent risk of abuse from using credit and debit cards as a convenient payment method. This is the fourth in a series of reports.

**Processed Charges Made Contrary to the Entity’s Policy**

The PAG’s Credit Card Policy, Board Policy Memorandum No. 2014-01, was established “to standardize the process and ensure accountability of the use of public funds expended.” The PAG made purchases contrary to policy and processed credit card charges contrary to procedures. Based on our review, the PAG was non-compliant with its Credit Card Policy for purchases, and its approval and accounting processes.

***Purchases Contrary to Policy***

The PAG Credit Card Policy’s Purpose states that the corporate credit card is for “online purchases that do not accept checks or Automated Clearing House (ACH) payments”. However, we found that credit card purchases were made for five samples that accepted checks or ACH payments. For two samples, payment methods accepted by the vendor were not readily available at the time of purchase. Although the purchases were reasonable and for the entity, this condition resulted in the PAG’s non-compliance.

***Approval Process Contrary to Procedures***

The PAG’s Credit Card Policy lists the procedures for corporate credit card use. A credit card disbursement form was to be completed and submitted for approval by the certifier of funds

and the General Manager (GM) prior to credit card use. However, we found that:

- The PAG did not use the form referenced in their policy;
- Purchases were made for nine samples from five to 69 days (or over two months) before requests for purchases were made; and
- Dates of certification of availability of funds and/or the GM's approval were missing.

These conditions resulted in the PAG's non-compliance and ineffective internal controls for samples with deficiencies.

#### ***Accounting Process Contrary to Procedures***

The PAG Credit Card Policy's Procedures and Reporting Requirement require the Finance Division to account for and report credit card expenditures to the Deputy GM of Administration & Finance. We found inefficiencies, such as:

- Ten transactions were posted in the accounting system almost three years later, of which eight were due to oversight;
- Bank payments for 13 transactions were processed two months later; and
- Reconciliation has yet to be completed as of September 15, 2023.

These conditions resulted in the PAG's non-compliance and bank interest charges of \$1,832 and late fees of \$133.

#### ***Purchases Contrary to the Guam Procurement Law and Regulations***

The PAG's Credit Card Policy did not reference applicable laws and regulations. The Guam Procurement Law and Regulations prescribes how GovGuam procures goods and services, including those paid with credit cards. Based on our review, the PAG was non-compliant with the requirements for small purchase procurement.

#### ***Small Purchase Requirements Not Met***

For small purchases between \$500 and \$25K, the Guam Procurement Law and Regulations require at least three positive written quotations from businesses to be solicited and documented as part of the procurement file. Quotations were missing or incomplete for six samples. The PAG purchased directly from an airline for cost savings and early flight reservations. However, there was no document on file to support the cost savings. There is no assurance that the lowest responsible and responsive vendor was selected. Questioned costs totaled \$10K.

#### ***Clearances Contrary to the Government Travel Law***

The PAG corporate credit card was used for expenses incurred by government officials during official travel. Provisions concerning the submission of expense reports as detailed in the Government Travel Law apply to all GovGuam employees and board and commission members, of which the PAG did not adhere to.

#### ***Expense Reports Were Untimely and Inaccurate***

The Government Travel Law requires for the submission of a traveler's request for reimbursement or itinerary, with or without refund to the government, within 10 days after the traveler returns from his/her official travel. We found that:

- Expense reports were untimely for six samples, inaccurate for three samples, and untimely and inaccurate for two samples;

- Two travelers signed their expense reports as late as more than one year after their return from travel; and
- A traveler fully reimbursed the PAG by February 2024 for lodging expenses incurred in September 2022.

These conditions resulted in the PAG's non-compliance.

### **Other Matters**

During the course of our review, we found other matters relative to the Government Travel Law. The PAG is required by the law to use 100% of its accrued mileage account to send eligible students to off-island cultural activities. Like the Guam Visitors Bureau, as reported in OPA Report No. 23-11, *Government-Wide Credit/Debit Card Use Series, Part II, Guam Visitors Bureau*, the PAG's agreement with its credit card issuer did not provide mileage rewards. Providing credit cards upon request was part of the issuer's contracted banking services.

Additionally, the Government Travel Law requires GovGuam employees to receive an advance per diem allowance based on the Federal government's rate. The Federal government provides 75% of the total meals and incidentals rate on the first and last day of travel. However, for 10 travel authorizations and expense reports reviewed, the PAG: (a) provided 100% per diem rates on the first and last day of travel to travelers for all 10; (b) did not provide incidental rates for two; and (c) missed one day in their calculation for two.

### **Conclusion and Recommendations**

The PAG's Credit Card Policy contained conditions and procedures for credit card use. We found that the PAG was non-compliant with certain provisions of their policy, and law requirements for small purchases and travel clearances. Thus, we recommended corrective actions for the PAG to help bring them into compliance, such as: (1) updating and enforcing board policies 2014-01 and 2019-01; and (2) considering dating signatures and not using the corporate credit card for items to be paid with the traveler's per diem.



Benjamin J.F. Cruz  
Public Auditor