EXECUTIVE SUMMARY

12th Festival of Pacific Arts (FESTPAC) Follow-Up Audit
OPA Report No. 17-06, December 2017

Guam successfully hosted the 12th FESTPAC, the two-week cultural event that showcased 27 island countries and territories from the Pacific and drew thousands of spectators daily from May 22, 2016 to June 4, 2016. In our second FESTPAC audit, we found that three agencies, the Council on the Arts and Humanities Agency (CAHA), Guam Visitors Bureau (GVB), and Department of Administration (DOA), accounted for portions of FESTPAC funds, but no agency was assigned to account for FESTPAC funds overall. As a result, we compiled data from the three agencies to determine the overall revenues and expenses related to FESTPAC. Based on our compilation:

- $8.5 million (M) in cash was received, of which $8.1M came from government appropriations and federal funds, and $436 thousand (K) from donations, sponsorships, fundraising events, and vendor fees;
- $8.3M in cash was spent on the following:
  - $4.4M paid to CAHA and GVB events managements services contractors;
  - $2.2M for 34 festival village huts;
  - $1.1M for FESTPAC-related overtime expenses for Guam Police Department (GPD), Guam Fire Department (GFD), and Department of Public Works (DPW);
  - $293K for the Chamorro Village traffic light controlled crosswalk;
  - $164K for reimbursement of FESTPAC-related Department of Education (GDOE) public schools' expenses; and
  - $135K for Programming expenses paid by CAHA.
- FESTPAC raffle and other fundraising activities of $103K were accounted for.

Overall, we identified $89K in questioned costs, including:

- $53K in FESTPAC-related goods and services purchased did not comply with Guam procurement law and regulations; and
- Of the $4.4M purchased through CAHA and GVB events management services contractors, we identified $36K in questioned costs as follows:
  - $20K in supplies expenses for payments processed using vendor quotes instead of invoices for coconut fronds and various supplies;
  - $10K in printing expenses due to payments processed using vendor quotes instead of invoices for $9,630 for 172 foam boards, as well as $299 for print media without supporting documentation;
  - $6K in contractual services expenses for production fees paid using a vendor quote instead of an invoice; and
  - $320 in meals expenses, of which $298 was unclear what items were purchased. In addition, a $22 reimbursement for coconut oil was paid with food stamps, which is in violation of the U.S. Supplemental Nutrition Assistance Program and is considered fraud. A person may be found guilty in a court of law of a misdemeanor as the amount

falls below $100.[1] Although the individual subsequently paid back the reimbursement after we brought this to the FESTPAC Committee's attention, this finding remains since it should not have been reimbursed in the first place.

Unlike the other expenditures that had several vendors, we found that $411K, or 44% of the $942K in contractual services expenses, was paid to one vendor for janitorial services.

Prior to April 2016, procurements totaling $3.1M were made through CAHA, with the largest being the construction of the festival huts at $2.2M, followed by events management contract at $800K, and $135K for various Programming Committee requests. This $3.1M spent by CAHA must comply with Guam procurement law and regulations. Of the remaining $135K spent by CAHA, we found that $53K in FESTPAC-related goods and services purchased did not follow Guam procurement law and regulations.

Upon realizing that CAHA's events management services contract was limited to $800K, the Committee sought approval from the Attorney General to use GVB's existing events management services contract to support FESTPAC. According to the Attorney General, the GVB and CAHA events management services contractors were not required to follow GovGuam procurement laws and regulations.

Conclusion

The Committee delivered a FESTPAC that Guam can be proud of. However, we found several deficiencies in the handling of FESTPAC funds. While we recognize that Guam's opportunity to host FESTPAC is a rare event, future Committees of island-wide events should learn lessons from this experience to ensure that controls are in place for a successful event, both culturally and financially.

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Image: Evening performance during FESTPAC. Photo courtesy of FESTPAC Committee.

[1] https://www.fns.usda.gov/fraud/what-snap-fraud and https://app.leg.wa.gov/rcw/default.aspx?cite=9.91.142