



OFFICE OF THE PUBLIC AUDITOR

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.



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Public Auditor