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Messages & Communications Fwd: OPA Report No. 19-06, Governor and Lieutenant Governor's Transition Fund

1 message

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To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>
Bcc: Tina Muna Barnes <tinamunabarnes@gmail.com>

** Sorry - needed to edit subject line

10-28-29	2:57 PM	10-28-19	OPA Report No. 19-06, Governor and Lieutenant Governor's Transition Fund.*	Office of the Public Auditor	35GL-19-1154

35GL-19-1154
Speaker Tina Rose Muña Barnes

OCT 2 8 2019
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Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

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From: **Speaker's Office** <speaker@guamlegislature.org>
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To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>

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From: **Andriana Quitugua** <aquitugua@guamopa.com>
Date: Mon, Oct 28, 2019 at 2:57 PM
Subject: OPA Report No. 19-06, Governor and Lieutenant Governor's Transition Fund
To:
Cc: Jerrick Hernandez <jhernandez@guamopa.com>

Hafa Adai!

Pursuant to P.L. 21-122, Section 1, Chapter 19 § 1909 (j), herein attached is OPA Report No. 19-06, Governor and Lieutenant Governor's Transition Fund. Please refer to the attachments for your copy:

1. Executive Summary
2. OPA Report No. 19-06

Please contact Audit Supervisor Jerrick Hernandez at 475-0390 ext. 208 or Auditor-in-Charge Andriana Quitugua at ext. 218 for any questions or concerns that you may have.

Thank you,

Andriana U.C. Quitugua, CFE
Auditor
Office of Public Accountability
www.opaguam.org
Tel. (671) 475-0390 ext. 218
Fax (671) 472-7951

1154

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2 attachments

19-06 ES.pdf
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4359K

EXECUTIVE SUMMARY
Governor and Lieutenant Governor's Transition Fund
Report No. 19-06, October 2019

Our audit of the Governor and Lieutenant Governor's Transition Fund found that the Transition Committee, appointed by the then Governor-elect, raised $691 thousand (K) in funds and spent $665K. The Transition Committee adequately accounted for the Transition Fund. In addition, we found:

- The Transition Fund paid for costs related to the preparation of the Governor-elect's inaugural ceremony and celebration and other transition costs as determined by the Transition Committee;
- The Transition Committee did not consistently follow their policy in the disbursement of the Transition Fund; and
- The Transition Committee acted beyond the 30-day limit and did not immediately transfer excess donations to the Treasurer of Guam.

Law Leaves Room for Interpretation on Proper Expenditures

Title 5 of the Guam Code Annotated Chapter 1 §1502(b) states, "…*The Transition Committee shall have such duties as the Governor-elect may deem necessary for an orderly transition between administrations, which shall include,* ***but not limited to****, the preparation of the Governor-elect's inaugural ceremony and celebration.*"

The Transition Committee spent the Transition Fund as follows:

Description	Amount	%
Inaugural ceremony and celebration	$ 417,937	63%
Media, training, travel, and headquarter operations	126,436	19%
Renovation, equipment, and furniture for the executive offices	120,529	18%
Total	**$ 664,902**	**100%**

By including *"but not limited to"* in the provision, all the expenditures of the Transition Fund were technically allowed by law. However, more guidance is needed in the law to determine appropriateness and necessity of transition-related expenditures.

Requirement to Follow Guam Procurement Law Unclear

The law does not specifically state that the Transition Fund is subject to Guam Procurement Law. However, it could be implied pursuant to § 1502 (b), which states that the "Transition Committee shall act as an operating agency of the government". As an operating agency of the government and following a prudent-person rule, the Transition Committee could have followed the Guam Procurement Law.

The Transition Committee stated that the funds were not technically government funds until transferred to the Treasurer of Guam pursuant to 5 GCA § 1502 (e). They stated further that it was not practical for them to follow the procurement law because the transition period was in a tight timeframe. We noted a purchase for office equipment for $9K was paid to a company owned by one of the committee members. The Transition Committee found no issue with this purchase because they said it was the lowest price offered to them.

The Transition Committee also mentioned that although they did not follow Guam Procurement Law to make purchases, which may have caused a delay in the transition, no government funds were used and the renovation, equipment, and furniture purchased became government assets after the transition.

Doc. No. 35GL-19-1154.*

The Transition Committee should then ensure that any equipment and furniture purchased are properly recorded on the government's fixed assets inventory.

Transition Committee Did Not Follow Procedures and Inconsistent in its Practices
Although not required by law, we commend the Transition Committee for creating a Standard Operating Procedure (SOP) for the Transition Fund disbursements. However, we found several instances where the Transition Committee did not follow its SOP, and was inconsistent in its disbursement practices. For example, a $34K payment for event production and consulting services was requested and approved by the same individual.

Transition Committee Exceeded 30-day Mandated Deadlines for Financial Report and Transfer of Excess Funds
Title 5 GCA §1502(d) and (e) state that a report of the donations received and expenses paid shall be submitted to the Governor and the Legislature no later than 30 days after the assumption of office by the Governor-elect. The Transition Committee neglected to include the report on donations and expenses in the February 14, 2019 report they submitted to the Governor and the Guam Legislature. The Transition Committee submitted the report on donations and expenses on April 22, 2019, 75 days after the deadline. The Transition Committee cited "human error" as the reason for the late submittal.

Title 5 GCA §1502(e) states that donations in excess of the amount needed to pay expenses of the Transition Committee shall be the property of the Government of Guam and shall be deposited with the Treasury of Guam no later than 30 days after the assumption of office of the Governor-elect. The Transition Committee initially transferred $25K to the Treasurer of Guam on March 28, 2019, 50 days after the Governor-elect took office, and transferred the remaining funds of $1,508 on July 29, 2019, 173 days after the deadline. The Transition Committee stated that they were waiting for outstanding checks to clear before closing the account.

Conclusion and Recommendations
As the Transition Fund law leaves room for interpretation, it gives Transition Committees discretion on their spending. We understand that following Guam Procurement Law may not be practical considering the time constraints during the transition period, and while funds raised by the Transition Committee may not be considered "government funds", it is government-related and the Transition Committee has a fiduciary duty to ensure funds are spent properly and reported timely.

For better accountability and transparency of future transition funds, we recommended that the Guam Legislature amend the law to provide better guidance regarding transition funds. An example is to specifically state whether the transition funds are subject to Guam Procurement Law. Additionally, we recommended that the Guam Legislature require the transition report include a listing of fixed assets that will be transferred to the incoming administration. Furthermore, we recommended that the Guam Legislature consider amending the law to also require the Transition Fund financial reports be submitted to the Office of Public Accountability.

As a matter of full disclosure, the Public Auditor recused himself from this audit because of an identified impairment in appearance due to familiarity. The Public Auditor did not participate in this audit. We thank the Governor and Lieutenant Governor's Transition Committee for their cooperation and transparency during this audit.

Office of Public Accountability

Governor and Lieutenant Governor's Transition Fund

Performance Audit
November 13, 2018 through July 31, 2019

OPA Report No. 19-06
October 2019

Governor and Lieutenant Governor's Transition Fund

Performance Audit
November 13, 2018 through July 31, 2019

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Distribution:

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For better accountability and transparency of future transition funds, we recommended that the Guam Legislature amend the law to provide better guidance regarding transition funds. An example is to specifically state whether the transition funds are subject to Guam Procurement Law. Additionally, we recommended that the Guam Legislature require the transition report include a listing of fixed assets that will be transferred to the incoming administration. Furthermore, we recommended that the Guam Legislature consider amending the law to also require the Transition Fund financial reports be submitted to the Office of Public Accountability.

As a matter of full disclosure, the Public Auditor recused himself from this audit because of an identified impairment in appearance due to familiarity. The Public Auditor did not participate in this audit. We thank the Governor and Lieutenant Governor's Transition Committee for their cooperation and transparency during this audit.

Office of Public Accountability

Introduction

This report presents the results of our audit of the Governor and Lieutenant Governor's Transition Fund. We initiated this audit at the discretion of the Public Auditor after several media outlets reported questionable expenditures by the Transition Committee.

The audit objectives were to determine whether the Transition Fund was: (1) properly accounted for, and (2) used in accordance with 5 Guam Code Annotated (GCA) Chapter 1 § 1502. Our scope was from November 13, 2018, the date in which the then Governor-elect appointed the Transition Committee members, to July 31, 2019. We detailed the audit objective, scope, and methodology in Appendix 1.

As a matter of full disclosure, the Public Auditor has recused himself from this audit because of an identified impairment in appearance due to familiarity. The Public Auditor did not participate in this audit.

This is the first time that a Governor and Lieutenant Governor's Transition Fund has ever been audited.

Background

Provisions on the Transition in the Office of the Governor are contained under 5 GCA § 1502.

(a) For the period following the election of the Governor of Guam in November of every fourth year beginning in 1970, the incumbent Governor, if not the successful candidate, shall assist the Governor-elect in preparing for his new duties until he assumes office in January of the year following his election. Such assistance by the incumbent Governor shall include but not limited to making available to the Governor-elect or his designees office space, office supplies, clerical assistance and logistical support from other governmental agencies necessary for site and facility preparation, transportation, and security in conjunction with the inaugural celebration.

(b) The Governor-elect is authorized to appoint a Committee which shall assist him during the transition period between his election and his assumption of office. The Committee shall comprise of such members as the Governor-elect shall deem necessary and shall be an operating agency of the government and remain such for a period not to exceed 30 days after the assumption of office by the Governor-elect. The Committee shall have such duties as the Governor-elect may deem necessary for an orderly transition between administrations which shall include, but not limited to, the preparation of the Governor-elect's inaugural ceremony and celebration.

(c) Notwithstanding any provisions of law to the contrary, the Governor-elect, or delegates designated by him in writing, shall have exclusive authority to obligate or make commitments against any appropriation made to carry out the provisions of subsection (b) of this Section, and the Certifying Officer of the Department of Administration shall certify all obligations or expenditures thereunder.

(d) The Chairman of the Committee, who shall be appointed by the Governor-elect, shall, not later than 30 days after the assumption of office by the Governor-elect, prepare and submit a written report to the Governor and the Legislature regarding the activities of the Committee, together with recommendations for improvement of transition between administrations as provided by the provisions of this Section.

(e) Notwithstanding any provisions of law, in addition to utilizing government funds and in order to keep the use of public funds to a minimum, the Committee may accept monetary and in-kind donations for the purposes set out in this Section, and may deposit donations in a private bank account to be administered by the Committee. A report of the donations received and expenses paid shall be included in the report made pursuant to subsection (d) of this Section. All such donations, being made to an interim government agency, shall be tax deductible pursuant to § 170 of the Internal Revenue Code. Donations in excess of the amount needed to pay expenses of the Committee shall be the property of the Government of Guam and shall be deposited with the Treasury of Guam no later than thirty days after the assumption of office of the Governor-elect.

Transition Committee Structure

In November 2018, the then Governor-elect appointed the Chairperson and Co-Chairperson of the Transition Committee. The Chairperson and Co-Chairperson appointed the following Subcommittees:

- Boards, Commissions, and Governance
- Economic Development
- Education, Culture, and Labor
- Federal, Foreign Affairs, Military Affairs, and Military Buildup
- Government Finances
- Health Care & Human Services
- Housing, Land, and Natural Resources
- Infrastructure and Transportation
- Public Safety

The Transition Committee created an Inaugural Finance Committee comprised of a Chairperson and Co-Chairperson. The Inaugural Finance Committee Chairperson then appointed four authorized expense approvers.

Transition Committee Payment Request and Authorization Process

The Transition Committee formulated its internal processes and procedures pertaining to the usage of the Transition Fund. Refer to Figure 1 for an illustration of the Transition Committee's process.

Figure 1: Transition Committee Payment Request and Authorization Process



See Appendix 2 for the Transition Committee's Payment Request and Authorization Process.

Former Transition Committee

In November 2010, Governor-elect Edward Calvo appointed two individuals to serve as Co-Chairs on the Transition Committee. On February 07, 2011, the Transition Committee for the former Governor and Lieutenant Governor submitted sundry reports developed by specific transition subcommittees. However, the financial report detailing the Transition Committee's donations and disbursements was not attached.

We were informed that the former Transition Committee was able to form a Non-Profit Organization for the purpose of funding their inaugural activities. We attempted to confirm this with the Department of Revenue and Taxation. However, we did not receive a response as of the report issuance date.

Results of Audit

Our audit of the Governor and Lieutenant Governor's Transition Fund found that the Transition Committee raised $691 thousand (K) in funds and spent $665K. Of the $665K spent, $418K (or 63%) was used for the inauguration ceremony and celebration and $247K (or 37%) was used for other transition costs.

The Transition Committee adequately accounted for the revenues and expenses in the Transition Fund. In addition, we found:

- The Transition Funds paid for costs related to the preparation of the Governor-elect's inaugural ceremony and celebration and other transition costs as determined by the Transition Committee.
- The Transition Committee did not consistently follow their standard operating procedures (SOP) and practices in the disbursement of the transition funds.
- The Transition Committee exceeded the 30-day mandated deadlines as the:
    - Report on donations and expenditures submitted 75 days after the deadline; and
    - First transfer was made to the Treasurer of Guam 50 days after the Governor-elect took office. The remaining excess funds were transferred 173 days after the deadline.

Transition Committee Adequately Accounted the Transition Funds

The Transition Committee adequately accounted for the Transition Fund's fundraising and disbursement activities report through the deposit and check register. The Transition Committee received $691K between December 2018 and March 2019, of which $661K came from donations, while the ticket sales from the People's Ball and bank dividend payments added an additional $30K. Figure 2 shows the breakdown of cash received based on source.

Figure 2: Transition Fund Source



Of the $691K funds raised, the Transition Committee spent $665K. Expenses for inauguration ceremony and celebration amounted to $418K (or 63%), while the other transition costs amounted to $247K (or 37%). Figure 3 shows the breakdown of expenditures by category.

Figure 3: Transition Fund Expenditures Breakdown



See Appendix 3 for our compilation of the transition funds received and disbursed.

Transition Committee's Use of Funds

Interpretation of Proper Expenditures

Title 5 GCA Chapter 1 § 1502 (b) mandated the Transition Committee to have such duties as the Governor-elect may deem necessary for an orderly transition between administrations which shall include, **but not limited to**, the preparation of the Governor-elect's inaugural ceremony and celebration.

We observed that in addition to the inaugural ceremony and celebration (Ball, Mass, flag raising, and distinguished visitors' dinner), the funds also paid $247K for other transition costs as determined by the Transition Committee. The Transition Committee cited "*but not limited to*" to justify other additional transition expenses not directly related to the Governor-elect's inaugural ceremony and celebration. According to the Inaugural Finance Chairperson, the Transition Committee had no reservation on these purchases as they were necessary.

The $247K in other transition costs includes:

Renovation, equipment, and furniture for the executive offices	$120,529
Ads, social media boosters, and production and consulting services	50,511
Leadership training and catering services at training	34,036
Rent, office supplies, IT and other services, and catering services at headquarters	30,940
Travel to CNMI Governor's inauguration and Washington DC trip	9,676
Others	1,273
Total	$246,965

As the law allowed discretion of the Transition Committee by including "*but not limited to*" in the provision, all expenditures were technically allowed by law. However, more guidance is needed in the law to determine appropriateness and necessity of transition-related expenditures.

In an effort to help determine appropriateness and necessity of transition-related expenditures, we recommend the Guam Legislature review and amend the law to require the transition report include a listing of fixed assets of the Governor and Lieutenant Governor's offices that will be transferred to the incoming administration.

Unclear Whether to Follow Government of Guam Procurement Law

The law does not specifically state that the Transition Fund is subject to the Guam Procurement Law. However, it could be implied pursuant to § 1502 (b), which states that the "Transition Committee shall act as an operating agency of the government". As an operating agency of the government and following a prudent-person rule, the Transition Committee could have followed the Guam Procurement Law.

We understand the time constraints that the Transition Committee had to deal with to get ready for the Governor-elect's inaugural ceremony and celebration. However, the law does state that the Transition Committee shall "act as an operating agency of the government", which may imply that the Transition Committee could have followed Guam Procurement Law in its purchases.

The Transition Committee stated that the funds were not technically government funds until transferred to the Treasurer of Guam. They stated further that it was not practical for them to follow the Guam Procurement Law because the transition period was in a tight timeframe. They also mentioned that although they did not follow Guam Procurement Law, the renovation, equipment, and furniture purchased became government assets after the transition. If this is the case, the Transition Committee should ensure that any equipment and furniture purchased using the Transition Fund are properly recorded on the government's fixed assets inventory.

We proposed that the Transition Committee follow Guam Procurement Law to make the purchases. However, the Transition Committee did not agree with this proposition as the Guam Procurement Law provides limitations in purchasing. We found one purchase totaling $9K where the Transition Committee purchased office equipment from a company owned by one of the members. The Transition Committee explained that the requestors and approvers did their best to receive quotes from other vendors. The Transition Committee believed that they received the best product with the best value from the chosen vendor.

We recommend the Guam Legislature to review and amend the law to provide better guidance on the use of the Transition Fund. An example would be to specify whether the Transition Fund is subject to the Guam Procurement Law.

Transition Committee Did Not Consistently Follow Disbursement Policy

SOPs are documented processes to ensure services and products are delivered consistently every time. SOPs are often used to demonstrate compliance with the regulation or operating practices and to document how tasks must be completed. We commend the Transition Committee for creating an SOP for Payment Request and Authorization Process. Based on the SOP, at least three people will be involved in the disbursements process: the Requestor, Approver, and Check Signatory. The Transition Committee also utilized a Request for Payment Form to document proper approval.

For the 20 disbursements tested totaling $275K, we observed that the Transition Committee did not consistently follow its policy. There were several instances when the Transition Committee did not complete a Request for Payment Form when they needed to pay for a good or service. Of the 20 disbursements tested, we found 12 instances when the Request for Payment Form did not contain a signatory by the requestor, approver, or both, as well as one instance where the Transition Committee did not file a Request for Payment Form. There were also five instances when the Request for Payment Form was requested and approved by the same individual. For example, a $34K payment for event production and consulting services was requested and approved by the same individual.



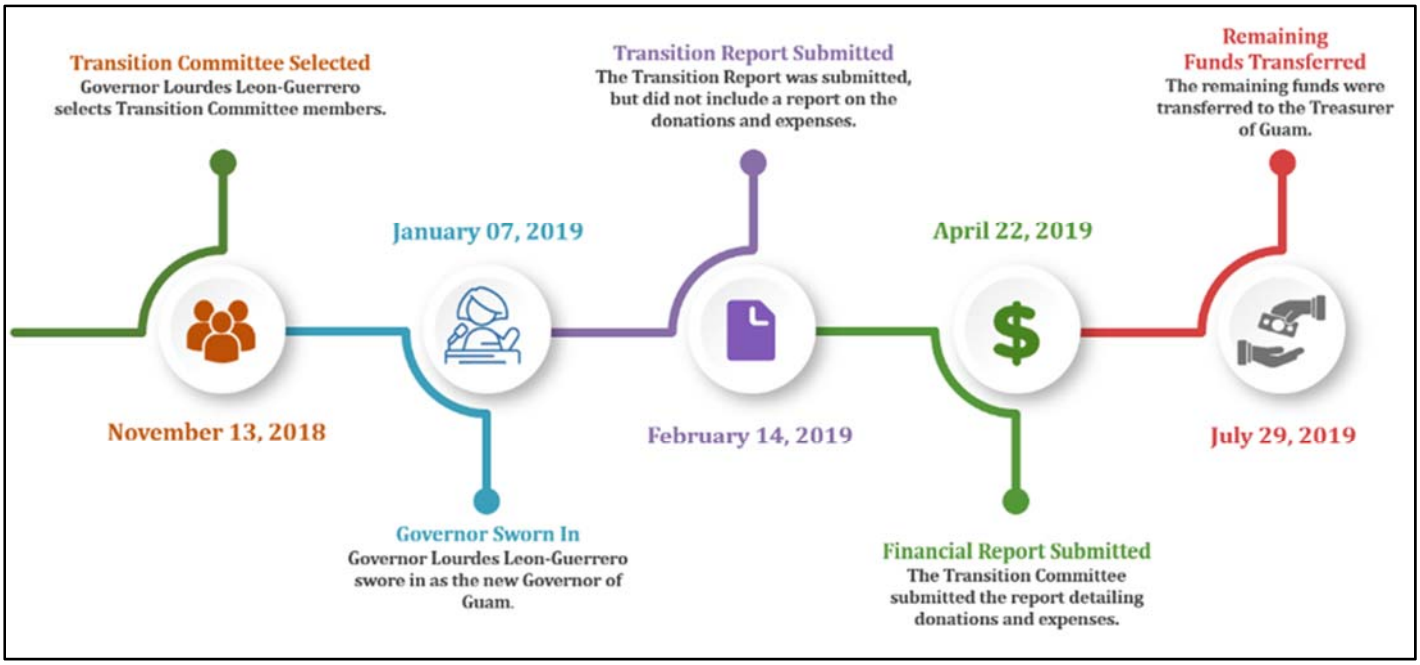
We also found that the Transition Committee deviated from the policy to meet timelines. According to the Inaugural Finance Chairperson, most requests were approved via phone calls and emails within the committee due to time constraints. For certain disbursements, a verbal approval was sufficient to sign a check. For these four disbursements totaling $193, the Transition Committee was not able to provide proof of approval because the Request for Payment Forms was not completed with the requestor and approver's signatures.

Although the Transition Committee did not consistently follow its policy in the spending of the Transition Fund, we noted that the Transition Committee had a reasonable internal control process in place as the invoice approver and check signatory was never the same individual.

Transition Committee Acted Beyond 30-Day Limit

Title 5 GCA § 1502 (b) states that the Governor-elect is authorized to appoint a Committee, which shall assist him during the transition period between his election and his assumption of office. The Committee shall comprise of such members of the Governor-elect shall deem necessary and shall be an operating agency of the government and remain such for a period not to exceed 30 days after the assumption of office by the Governor-elect. See Figure 4 for a timeline of the Transition Committee's events.

Figure 4: Timeline of Transition Committee Events



Transition Report Submitted 75 Days After Deadline

Title 5 GCA § 1502 (d) stated that the Chairman of the Committee shall no later than 30 days after the assumption of office by the Governor-elect, prepare and submit a written report to the Governor and the Legislature regarding the activities of the Committee, together with recommendations for improvement of transition between administrations. Under § 1502 (e), the donations received and expenses paid shall be included in the written report.

The Governor was sworn into office on January 7, 2019. The Transition Committee submitted the Transition Report on February 14, 2019. However, such submission did not include the report on donations and expenditures as required by law.

The Transition Committee submitted the report on donations and expenses on April 22, 2019, 75 days after the deadline. An addendum to the initial report was submitted on July 5, 2019, regarding subsequent deposits and disbursements as well as the status of the closure of the Transition Fund account. See Appendix 4 for the Fundraising and Expenditure Activities Report submitted to the Guam Legislature.



According to the Inaugural Finance Chairperson, it was an oversight on their part as they assumed that the finance report was included in the February 2019 report submission. It was not until some time had passed that the Transition Committee found the section was missing and worked to turn it in.

For better accountability and transparency for future transition committees, we recommend that the Guam Legislature review and amend the law to cite that the Transition Fund financial reports

be submitted as well to the Office of Public Accountability.

Remaining Funds Not Transferred to the Treasurer of Guam Immediately

Title 5 GCA Chapter 1 § 1502 (e) mandated the Transition Committee to deposit excess funds to the Treasurer of Guam no later than 30 days after the Governor-elect's assumption of office. This mandate would have given the Transition Committee a deadline of February 6, 2019. The Transition Committee received the last donation of $25K on February 13, 2019, which they transferred to the Treasurer of Guam on March 28, 2019. The Transition Committee could have transferred this last donation immediately to the Treasurer of Guam, but they waited 43 days after its receipt. The Transition Committee transferred the remaining balance of $1,508 to the Treasurer of Guam on July 29, 2019, 173 days after the deadline.



The Inaugural Finance Chairperson explained that they were aware of the deadline, but it was a judgment call on the Transition Committee's part to transfer the funds at a later time. The Transition Committee explained that it was a good move on their part as the bank account received an additional $300 in interest that was transferred to the Treasurer of Guam.

Keeping the money for more than the time allowed could be a violation of the law. There may be operational issues hindering the Transition Committee to transfer the funds within the 30-day period, however, it could have documented its effort to comply within the set timeline.

Conclusion

Our audit of the Governor and Lieutenant Governor's Transition Fund found that the Transition Committee raised $691K and spent $665K. The Transition Committee adequately accounted for the revenues and expenses in the Transition Fund. In addition to the inaugural ceremony and celebration, the Transition Fund paid for $247K in other costs as determined by the Transition Committee. As the law was vague on what costs are necessary for an orderly transition, it allowed discretion to the Transition Committee on how and where the funds will be spent.

We commend the Transition Committee for creating an SOP in its disbursements, but it was not consistently followed. We understand that following the Guam Procurement Law may not be practical considering the time constraints during the transition period. However, as excess funds are transferred to the Government of Guam, it is also in the best interest of the public that the funds are spent properly and reported timely.

The Transition Committee submitted the report on donations and expenditures 75 days after the deadline and transferred the excess donations 43 and 173 days after the deadline. These violated Title 5 GCA § 1502 (d) and (e).

For better accountability and transparency in handling the Transition Fund, we recommend that the Guam Legislature review and amend the law to:

1. Require the transition report include a listing of fixed assets of the Governor and Lieutenant Governor's offices that will be transferred to the incoming administration;
2. Specify whether the Transition Fund is subject to Guam Procurement Law; and
3. Require the Transition Committee to submit the financial reports to the Office of Public Accountability, simultaneous with the submission to the Governor and the Guam Legislature.

Classification of Monetary Impact

	Finding Description	Questioned Costs	Potential Savings	Unrealized Revenues	Other Financial Impact
1	**Transition Committee Adequately Accounted the Transition Funds**	**$ -**	**$ -**	**$ -**	**$ -**
2	**Transition Committee's Use of Funds**	**$ -**	**$ -**	**$ -**	**$ -**
	Interpretation of Proper Expenditures	$ -	$ -	$ -	$ -
	Unclear Whether to Follow Government of Guam Procurement Law	$ -	$ -	$ -	$ -
3	**Transition Committee Did Not Consistently Follow Disbursement Policy**	**$ -**	**$ -**	**$ -**	**$ -**
4	**Transition Committee Acted Beyond 30-Day Limit**	**$ -**	**$ -**	**$ -**	**$ -**
	Transition Report Submitted 75 Days After Deadline	$ -	$ -	$ -	$ -
	Remaining Funds Not Transferred to Treasurer of Guam Immediately	$ -	$ -	$ -	$ -
	Totals	**$ -**	**$ -**	**$ -**	**$ -**

Management Response and OPA Reply

We transmitted a draft report to the Transition Committee in October 2019 for their official response. In the same month, we met with the Transition Committee and Oversight Chairperson to discuss the draft report and our findings and recommendations. The Transition Committee responded as follows:

1. **Dedication to Transparency**

   The Transition Committee stated that there are two ways in which the use of public funds can be minimized for the inaugural festivities. The Transition Committee stated that they opted to organize under 5 GCA § 1502 (d) while many gubernatorial transition committees form a Section 501(c)(4) nonprofit organizations for the purpose of funding inaugural activities.

   OPA Reply: OPA attempted to confirm this statement with the Department of Revenue and Taxation. However, we were unable to confirm this as of the release of this report.

2. **Interpretation of Proper Expenditures**

   The Transition Committee disagreed with this finding and stated that the Committee sought donations to fund all of its operations, which allowed the Transition Committee to organize a memorable inaugural celebration and provide proper furnishings and equipment for the incoming administration. Further, the Transition Committee stated that the law leaves no room for interpretation and that all the Committee's expenditures were proper and wholly sanctioned by the law.

   OPA Reply: The focus of this finding was to illustrate what the Transition Committee spent transition funds on. OPA finds that the law does give discretion to the Transition Committee by including *"not limited to"* in the provision. We did not determine appropriateness and necessity of transition-related expenditures.

3. **Unclear Whether to Follow Government of Guam Procurement Law**

   The Transition Committee disagreed with this finding and stated that the donations made to the Transition Committee are not considered the property of the Government of Guam until any excess of the amount needed to pay expenses of the Committee is deposited with the Treasury of Guam no later than 30 days after the assumption of office of the Governor-elect. Further, the Transition Committee stated that all expenditures were made prior to the conversion of the donations and the law did not apply to Transition Committee activity during its existence.

   OPA Reply: 5 GCA § 1502 (b) states that the Committee shall comprise of such members as the Governor-elect shall deem necessary and shall be an operating agency of the government and remain such for a period not to exceed 30 days after the assumption of office by the Governor-elect. Therefore, the law implies that as an operating agency of the government, the Transition Committee could have followed the Guam Procurement Law.

The focus of the finding was to seek clarification on whether Guam Procurement Law should apply to the expensing of the transition funds for future committees

4. **Transition Committee Did Not Consistently Follow Disbursement Policy**

   The Transition Committee disagreed with this finding and stated that the Committee, without intervention, developed its own standard operating policies and procedures. The Transition Committee stated that further inspection of the documents will show that policies were followed.

   OPA Reply: Although it was not required, the Transition Committee developed standard operating policies and procedures in the disbursement of transition funds, which we used as criteria to test their compliance. We found 18 instances totaling $250K where the Transition Committee did not follow its standard operating policies and procedures.

5. **Transition Committee Acted Beyond 30-Day Limit**

   The Transition Committee disagreed with this finding and stated that the Committee chose to avoid legal liabilities and honor its obligations to keep the account funded until all appropriate expenditures cleared. The Transition Committee further stated that the Committee worked diligently to provide the excess, which included an unexpected interest income, to the Treasurer of Guam.

   OPA Reply: The Transition Committee had ways to monitor all check disbursements made. Therefore, they could have retained in the bank the amount sufficient to pay for those disbursements and transferred the excess funds to the Treasurer of Guam on or before the deadline.

See Appendix 5 for the Transition Committee's official response, which excludes their attachment to the bank's Terms and Conditions. This attachment will be made available to the public upon receipt of official request.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of implementing the recommendation, and to endeavor to complete implementation of the recommendations no later than the beginning of the next fiscal year. We will be contacting the Guam Legislature to provide the target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation and assistance of the Transition Committee and the Office of the Governor and Lieutenant Governor during the course of this audit.

Office of Public Accountability

Appendix 1:

Objectives, Scope, and Audit Methodology

The audit objectives were to determine whether the Transition Fund was: (1) properly accounted for, and (2) used in accordance with 5 GCA, Chapter 1 § 1502. The scope of this audit was the Governor and Lieutenant Governor's Transition Fund from November 13, 2018 through July 31, 2019.

Methodology

The methodology included the review of pertinent laws, rules and regulations, policies and procedures, and other relevant documents pertaining to the Transition Committee's use of the Transition Fund. The work was carried out primarily at the Office of the Governor located in Adelup, Guam, and at the Office of Public Accountability.

We also:

1. Researched hotline tips and similar audit reports with the same topic.
2. Researched other transition teams' best practices in terms of policies and practices in the use of the Transition Fund.
3. Conducted interviews with the Transition Committee to gain an understanding of the processes.
4. Identified pertinent laws, rules, and regulations as audit criteria.
5. Researched rules and regulations to confirm whether the Transition Committee could have elected to become a Non-Profit Organization for the purpose of funding their activities.
6. Obtained check disbursements to determine expenditures using the Transition Fund. We judgmentally selected and tested 20 out of 173 transactions to test against the Transition Committee's SOP.
7. Obtained bank statements (December 2018 through July 2019) to reconcile the deposit register and the check register.
8. Obtained and reviewed copies of pertinent documentation relative to fundraising and spending activities.

We conducted our audit in accordance with the standards for performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 2:

Payment Request and Authorization Process

LEON GUERRERO-TENORIO TRANSITION AND INAUGURAL FUND

Payment Request and Authorization Process

Subject:
Pursuant to 5 GCA §1502 Subsection (e) there exists the Leon Guerrero-Tenorio Transition and Inaugural Fund, hereinafter "fund", to assist the Leon Guerrero-Tenorio Transition Committee, hereinafter "committee", in facilitating the transition of the Office of the Governor. The committee signatories manage all fund deposits and fund disbursements through a private bank account pursuant to this section.

Scope:
All requests for payment for products and services rendered for the committee shall require the review and approval of authorized approving officials. All approved payment requests shall be forwarded to the authorized account signatories for disbursement.

The primary account signatory will retain financial statements and manage the accounting of all fund bank account transactions.

Authorized Approvers:

1. [redacted] Chief of Staff Appointee
2. [redacted] Deputy Chief of Staff Appointee
3. [redacted] Inauguration Co-Chair
4. [redacted] Executive Assistant

Authorized Account Signatories:

1. [redacted] Primary
   Primary Signatory: has physical control of check inventory & prepares all checks
2. [redacted] Secondary (emergency/backup only)
   **only one signature is required for checks" Private checking account at Coast360.*

Procedure:

1. Products and services in support of the committee and its activities are determined and sourced by need.
2. Requestors (committee members or volunteers) present requests for payments to authorized approvers and as far as practicable request for price quotations from different vendors for services and products.
3. Authorized approvers in consultation with requestors discuss the need for products and services related to or in support of the committee and its activities.
4. Authorized approvers provide invoices or receipts for approved payments to authorized account signatories for payment or reimbursement.
5. The primary signatory will prepare, sign, and disburse check payments.

Appendix 3:

Transition Fund's Generated Cash and Disbursements

	%		TOTAL
RECEIPTS			
DONATIONS, FUNDRAISERS, SPONSORSHIPS			
Diamond Sponsorships	43%	$	300,000
Platnium Sponsorships	9%	$	60,000
Gold Sponsorships	23%	$	160,000
Silver Sponsorships	17%	$	120,000
Other Sponsorships	3%	$	21,500
Subtotal, Sponsorships		**$**	**661,500**
People's Ball (Ticket Sales)	4%	$	29,755
Subtotal, Donations, Fundraisers, Sponsorships		**$**	**691,255**
DIVIDEND PAYMENTS	0.02%	**$**	**155**
TOTAL RECEIPTS		**$**	**691,410**
DISBURSEMENTS			
Ceremony	40%	$	266,600
Executive Offices	18%	$	120,529
Ball	15%	$	99,740
Media	8%	$	50,511
Training	5%	$	34,036
HQ Operations	5%	$	30,940
Distinguished Visitors Dinner	5%	$	30,536
Mass	2%	$	12,751
Travel	1%	$	9,676
Flag Raising	1%	$	8,310
Capital Expenditures	0.11%	$	723
Subtotal, Disbursements		**$**	**664,352**
OTHER DISBURSEMENTS			
Bank Fees	0.01%	$	65
Returned Checks Fees	0.07%	$	485
Subtotal, Other Disbursements		**$**	**550**
TOTAL DISBURSEMENTS		**$**	**664,902**
Initial Transfer to Treasurer of Guam		**$**	**25,000**
REMAINING BALANCE TRANSFERRED TO TREASURER OF GUAM		**$**	**1,508**

THE OFFICE OF THE GOVERNOR AND LT. GOVERNOR-ELECT

Lourdes A. Leon Guerrero and Joshua F. Tenorio

35GL-19-0403

Speaker Tina Rose Muña Barnes

APR 22 2019

Time 353 ( )AM ( )PM

Received By:

2019 APR 22 PM 4:00

April 22, 2019

Honorable Tina Muna Barnes
Speaker
I Mina 'trentai Singko Na Liheslaturan Guahan
Guam Congress Building
163 Chalan Santo Papa
Haganta, Guam 96921

Re: Supplemental to Transition Committee Report

Hafa Adai Madame Speaker:

It has come to my attention that the fundraising/expenditure activities of the Transition Committee were not reported in the original submission to the Legislature. Please accept this attachment to complete the submission.

Senseremente,

Mary Okada

Mary Okada

0403

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Deposits

Deposit Date	Name	Donation Amount	In Kind Donation
12/5/2018	Bank of Guam	25,000.00	
12/5/2018	Guam Music Inc.	25,000.00	
12/5/2018	Guam X Ray	25,000.00	
12/5/2018	Global Food Services, LLC, dba: GFS Group	15,000.00	
12/5/2018	Micronesia Renewable Energy	15,000.00	
12/7/2018	Ada's Trust & Investment Inc	5,000.00	
12/7/2018	Valencia-Ovalles, Fe	5,000.00	
12/7/2018	Chang, MD, Young, K.	2,500.00	
12/10/2018	Calvo's Insurance Underwriters, Inc.	15,000.00	
12/10/2018	Calvo's Enterprise, Inc.	10,000.00	
12/13/2018	Takagi & Associates, Inc.	5,000.00	
12/13/2018	Norton Lilly International	10,000.00	
12/13/2018	StayWell Insurance	25,000.00	
12/17/2018	TakeCare	25,000.00	
12/17/2018	Matson Navigation Company, Inc.	10,000.00	
12/17/2018	Landscape Management Systems	10,000.00	
12/17/2018	Hawaiian Rock Products	9,000.00	
12/17/2018	Sanford Technology Group LLC	5,000.00	
12/21/2018	GTA	25,000.00	
12/21/2018	AM Insurance	5,000.00	
12/24/2018	Harvey-Samuel, Shirley Anne	1,000.00	
12/24/2018	Marks, Robert	1,000.00	
12/24/2018	JJ Global Service	1,000.00	
12/26/2018	Lotte Duty Free Guam, LLC	25,000.00	
12/26/2018	Fitness Solutions, LLC	10,000.00	
12/26/2018	Marianas Energy Company	5,000.00	
12/26/2018	JMI-Edison	2,000.00	
12/26/2018	JMI-Edison	1,500.00	
12/26/2018	JMI-Edison	1,500.00	
12/26/2018	Medpharm	5,000.00	
12/26/2018	Matulich, Russell A/Christine B	10,000.00	
12/28/2018	Guam & Guam Inc	15,000.00	
12/28/2018	Guahan Waste Control, Inc., Mr. Rubbishman	5,000.00	
12/28/2018	Guam Regional Medical City	25,000.00	
12/28/2018	US Renal Care, Inc	5,000.00	
1/2/2019	Lyon Associates Inc	5,000.00	
1/2/2019	Core Tech International Corporation	25,000.00	
1/2/2019	IP&E Holdings, LLC, IP&E Guam	25,000.00	
1/2/2019	Shimizu, Joseph S.N.	5,000.00	
1/2/2019	Evangelista-Acabado Engineers Inc, E&A Engineers	10,000.00	
1/2/2019	WM Engineering Services, LLC	10,000.00	
1/2/2019	BME & Sons, Inc.	10,000.00	
1/2/2019	Seabridge, Inc.	5,000.00	
1/2/2019	Arriola Cowan and Arriola	5,000.00	
1/4/2019	ASC Trust	10,000.00	
1/4/2019	First Hawaiian Bank	5,000.00	
1/4/2019	WSP USA INC	5,000.00	
1/4/2019	South Pacific Petroleum Corp	2,000.00	
1/8/2019	St. Lukes Medical CTR, Global Cty Inc	5,000.00	
1/10/2019	N.C. Marcario & Associates, Inc.	10,000.00	
1/10/2019	Asia Pacific Hotels Inc (Guam), Fiesta Resort Guam	25,000.00	
1/10/2019	Lam, Alfred / Chong, Katherine	200.00	
1/10/2019	Law office of Frederick J. Horecky	400.00	
1/10/2019	Cube Inc.	400.00	
1/10/2019	Brooks Conception Law P.C.	1,000.00	
1/10/2019	Kloppenburg Enterprises, Inc.	1,000.00	
1/10/2019	Bank of Guam	1,000.00	
1/10/2019	Sagua Managu, LLC	5,000.00	
1/10/2019	Transportation Management Group LLC	5,000.00	
1/10/2019	Triple J Enterprises, Inc.	10,000.00	
1/10/2019	Pacific Med & Nephrology	10,000.00	
1/10/2019	EMPSCO Engineering Consultants	10,000.00	
1/11/2019	Pacific Trucking Guam, Inc.	5,000.00	
1/15/2019	Marianas Properties, Pacific Star Resort & Spa	10,000.00	

Doc. No. 35GL-19-0403.

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Deposits

Deposit Date	Name	Donation Amount	In Kind Donation
1/15/2019	Cars Plus LLC	5,000.00	
1/15/2019	Advanced Eyecare LLC, Lombard Health	10,000.00	
1/15/2019	American Medical Center	1,000.00	
1/16/2019	Docomo Pacific, Inc.	5,000.00	
1/18/2019	People's Ball	6,375.00	
1/18/2019	People's Ball	8,820.00	
1/18/2019	People's Ball	840.00	
1/18/2019	People's Ball	350.00	
1/18/2019	People's Ball	1,605.00	
1/18/2019	People's Ball	2,795.00	
1/18/2019	People's Ball	1,365.00	
1/18/2019	People's Ball	2,730.00	
1/18/2019	People's Ball	2,415.00	
1/18/2019	People's Ball	1,070.00	
1/21/2019	First Hawaiian Bank	5,000.00	
1/25/2019	Evangelista-Acabado Engineers Inc, E&A Engineers	5,000.00	
1/30/2019	People's Ball	1,005.00	
12/31/2019	Coast 360 - Dividend Payment	47.56	
	Guam AutoSpot		25,000.00
	DFS		25,000.00
	Tanota Partners		25,000.00
		665,917.56	**75,000.00**

Doc. No. 35GL-19-0403.

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Check Register - 02/05/2019

Amount	Date	Payee	Inauguration Expense	Transition Operations Expense	Transition Executive Office Expense
6,000.00	12/07/2018	Jamz Media	6,000.00		
5,000.00	12/07/2018	Jamz Media	5,000.00		
1,600.00	12/07/2018	iConnect	1,600.00		
2,058.73	12/07/2018	Travel Pacificana		2,058.73	
7,475.00	12/14/2018	Michael Kilayko	7,475.00		
75.00	12/14/2018	Graphic Center	75.00		
2,718.00	12/14/2018	Graphic Center	2,718.00		
4,031.50	12/14/2018	Royal Bics	4,031.50		
1,200.00	12/14/2018	Julie Q. Benavente	1,200.00		
9,725.00	12/14/2018	LMD Corporation	9,725.00		
900.00	12/14/2018	Royal Bics	900.00		
1,202.88	12/14/2018	National Office Supply	1,202.88		
675.00	12/14/2018	Gerard Aflague	675.00		
705.00	12/14/2018	Graphic Center	705.00		
6,500.00	12/14/2018	Ideal Advertising		6,500.00	
3,914.45	12/14/2018	Lourdes Leon Guerrero		3,914.45	
800.00	12/14/2018	Ian F. Taitano		800.00	
800.00	12/14/2018	Elaine V. Tajalle		800.00	
346.00	12/14/2018	Island Business Systems & Supply		346.00	
2,275.00	12/18/2018	Expressions	2,275.00		
2,700.00	12/18/2018	Cali Cakery	2,700.00		
8,000.00	12/18/2018	Mary Quichocho	8,000.00		
2,150.00	12/18/2018	Expressions		2,150.00	
26,063.00	12/18/2018	Big Fish Creative Inc.	26,063.00		
332.00	12/18/2018	Arts & Frames		332.00	
2,700.00	12/18/2018	Cali Cakery	2,700.00		
1,350.00	12/18/2018	Cali Cakery	1,350.00		
3,140.00	12/21/2018	Shooting Star Productions	3,140.00		
550.00	12/21/2018	Joseph D. Guerrero, Jr.	550.00		
1,250.00	12/21/2018	Royal Bics	1,250.00		
6,480.00	12/21/2018	Black Tie	6,480.00		
3,950.00	12/21/2018	Richard B. Arroyo	3,950.00		
7,700.00	12/21/2018	Island Cuisine	7,700.00		
2,195.00	12/21/2018	Frank Rabon	2,195.00		
1,885.00	12/21/2018	Fencemasters	1,885.00		
485.00	12/21/2018	NoKaOi	485.00		
1,775.00	12/21/2018	Cedric Diaz	1,775.00		
1,200.00	12/21/2018	Dulce Nombre de Maria Basilica	1,200.00		
1,128.98	12/27/2018	Travel Pacificana		1,128.98	
140.00	12/28/2018	Angela Camacho	140.00		
2,143.50	12/28/2018	B&G Pacific LLC	2,143.50		
14,631.50	12/28/2018	Black Tie	14,631.50		
23,140.00	12/28/2018	Dusit Thani	23,140.00		
555.00	12/28/2018	Hafa Adai Signs	555.00		
800.00	12/28/2018	iConnect	800.00		
5,500.00	12/28/2018	Jamz Media	5,500.00		
25,292.50	12/28/2018	JCT Rental Service	25,292.50		
454.67	12/28/2018	Therese Arriola	454.67		
800.00	12/28/2018	Ian F. Taitano		800.00	
800.00	12/28/2018	Elaine V. Tajalle		800.00	
97.00	12/28/2018	Ian F. Taitano		97.00	

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Check Register - 02/05/2019

Amount	Date	Payee	Inauguration Expense	Transition Operations Expense	Transition Executive Office Expense
346.00	01/04/2019	Island Business Systems & Supply		346.00	
3,630.00	01/04/2019	The Westin Resort Guam		3,630.00	
264.49	01/04/2019	Travel Pacificana		264.49	
925.00	01/04/2019	Galadie Group	925.00		
230.00	01/04/2019	Rebecca Respicio	230.00		
1,000.00	01/04/2019	Sinajana Mayor's Office	1,000.00		
94.00	01/04/2019	Hafa Adai Signs	94.00		
6,500.00	01/04/2019	UOG Field House	6,500.00		
1,000.00	01/04/2019	PBS Guam	1,000.00		
555.00	01/04/2019	Pepsi Guam Bottling	555.00		
1,600.00	01/04/2019	Ambros Inc.	1,600.00		
4,812.50	01/04/2019	Black Tie	4,812.50		
8,000.00	01/04/2019	Black Tie	8,000.00		
3,498.00	01/04/2019	Graphic Center	3,498.00		
400.00	01/08/2019	Elaine V. Tajalle		400.00	
1,750.00	01/11/2019	Shooting Star Productions	1,750.00		
6,000.00	01/11/2019	Black Tie	6,000.00		
500.00	01/11/2019	Ruby Santos	500.00		
5,796.50	01/11/2019	B&G Pacific LLC	5,796.50		
1,000.00	01/11/2019	Patrick Palomo	1,000.00		
19,916.25	01/11/2019	Royal Bics	19,916.25		
16,223.17	01/11/2019	Black Tie	16,223.17		
9,473.50	01/11/2019	Carpet Store	9,473.50		
200.00	01/11/2019	Sonia Little	200.00		
200.00	01/11/2019	Laloulu Henry	200.00		
8,500.00	01/11/2019	Jamz Media	8,500.00		
1,000.00	01/11/2019	UOG Field House	1,000.00		
3,510.00	01/11/2019	SMC Security Corp.	3,510.00		
2,000.00	01/11/2019	Guam Territorial Band	2,000.00		
710.05	01/11/2019	Dominic Muna	710.05		
20,975.00	01/11/2019	JCT Rental Service	20,975.00		
250.00	01/11/2019	Cali Cakery	250.00		
8,350.00	01/11/2019	Mary Quichocho	8,350.00		
389.56	01/11/2019	Robert Hofmann	389.56		
540.00	01/11/2019	Dana Quenga Cruz Kim	540.00		
400.00	01/11/2019	I Fanlalai'an Oral History Project	400.00		
2,198.75	01/11/2019	JCT Rental Service	2,198.75		
100.00	01/11/2019	Fr. Eric Forbes, OFM Cap.	100.00		
578.60	01/11/2019	Robert Hofmann	578.60		
1,200.00	01/11/2019	Unique Auto Detailing	1,200.00		
1,564.00	01/11/2019	Joann G. Camacho	1,564.00		
92.16	01/11/2019	R.Arlene Santos	92.16		
50.00	01/11/2019	Robert Hofmann	50.00		
950.00	01/11/2019	JCT Rental Service	950.00		
250.00	01/11/2019	Fr. Michael Crisostomo	250.00		
250.00	01/11/2019	Monsignor James Benavente	250.00		
250.00	01/11/2019	Heaven Scent	250.00		
44,340.00	01/11/2019	Dusit Thani	44,340.00		
6,572.94	01/15/2019	Sixt Rent A Car	6,572.94		
2,775.00	01/15/2019	Expressions	2,775.00		
15,409.30	01/15/2019	Galaide Group	15,409.30		

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Check Register - 02/05/2019

Amount	Date	Payee	Inauguration Expense	Transition Operations Expense	Transition Executive Office Expense
1,090.00	01/15/2019	Guam Museum Fund	1,090.00		
300.00	01/15/2019	Greg Pangelinan	300.00		
2,200.00	01/15/2019	Dusit Thani	2,200.00		
300.00	01/15/2019	Kyle Mandapat	300.00		
400.00	01/15/2019	Cathy Calvo Cruz	400.00		
639.00	01/15/2019	Lorea Industries	639.00		
1,041.00	01/15/2019	Guam Museum Fund	1,041.00		
11,683.60	01/15/2019	Furniture Kathy Style			11,683.60
108.39	01/15/2019	Mel Obispo			108.39
29.90	01/15/2019	Ariana Villaverde			29.90
454.34	01/15/2019	Guahan Waste Control		454.34	
250.00	01/15/2019	Jeannie Hollis	250.00		
33,990.00	01/18/2019	Michael Marriott		33,990.00	
20.95	01/18/2019	Christina Marie Cruz		20.95	
310.00	01/22/2019	B&G Pacific LLC		310.00	
295.00	01/22/2019	Josephine Cruz Cepeda			295.00
2,050.00	01/22/2019	Luck Locksmith			2,050.00
450.88	01/22/2019	Lisa Dames		450.88	
6,000.00	01/24/2019	Michael Marriott		6,000.00	
45.00	01/29/2019	Josephine C. Cepeda		45.00	
982.00	01/29/2019	Anthony M. Babauta		982.00	
1,282.00	01/29/2019	Bank of Guam		1,282.00	
802.10	01/29/2019	Carmelita Merfalen		802.10	
4,511.55	01/29/2019	IBSS		4,511.55	
692.00	01/29/2019	Sign King		692.00	
723.47	01/29/2019	ERC		723.47	
929.70	01/29/2019	IT&E		929.70	
34,250.00	01/29/2019	Arkana Pacific Contractors Corporation			34,250.00
21,064.80	01/29/2019	Furniture Kathy Style			21,064.80
5,002.00	01/29/2019	Willy's Furniture			5,002.00
4,000.00	02/01/2019	Pacific Daily News		4,000.00	
1,160.00	02/01/2019	Promotions Specialties	1,160.00		
100.00	02/01/2019	iConnect	100.00		
19,525.00	02/05/2019	Bank of Guam		19,525.00	
1,050.00	02/05/2019	The Capitol Kitchen		1,050.00	
1,260.00	02/05/2019	Mary Q's Catering		1,260.00	
2,100.00	02/05/2019	Pacific Star Resort & Spa		2,100.00	
20,178.00	02/05/2019	Carpet Store			20,178.00
5,981.00	02/05/2019	Graphic Center		5,981.00	
450.00	02/05/2019	M80			450.00
122.46	02/05/2019	ERC Maintenance			122.46
200.00	02/05/2019	Pacific Pest Control			200.00
123.64	02/05/2019	Rommel Obispo		123.64	
229.25	02/05/2019	Carmelita Merfalen		229.25	
215.00	02/05/2019	B&G Catering		215.00	
9,815.00	02/05/2019	American Printing Corporation	9,815.00		
6,044.00	02/05/2019	Big Fish Creative		6,044.00	
111.28	02/05/2019	Coy Torres			111.28
110.44	02/05/2019	Ron Taitague			110.44
35.00	02/05/2019	Jon Junior Calvo		35.00	
240.00	02/05/2019	Lisa Dames		240.00	

Office of the Governor & Lt. Governor Elect
Transition And Inaugural Funds
Check Register - 02/05/2019

Amount	Date	Payee	Inauguration Expense	Transition Operations Expense	Transition Executive Office Expense
522.00	02/05/2019	3D Rental		522.00	
2,583.68	02/05/2019	Sofia Santos Diaz			2,583.68
9,000.00	02/05/2019	Guam AutoSpot		9,000.00	
8,656.00	02/05/2019	Sanford Technology Group			8,656.00
3,026.00	02/05/2019	M.E. International, Inc.			3,026.00
666.00	02/05/2019	Willy's Furniture Outlet			666.00
461.26	02/05/2019	Candy's Reflection			461.26
1,823.00	02/05/2019	Kathy Style Furniture			1,823.00
656.92	02/05/2019	Josephine Cepeda			656.92
36.40	02/05/2019	GTA		36.40	
750.00	02/05/2019	Latte of Freedom		750.00	
7,000.00	02/05/2019	Garden Inspirations			7,000.00
5.00	12/26/2018	Coast 360		5.00	
5.00	01/08/2019	Coast 360		5.00	
25.00	01/25/2019	Coast 360		25.00	
135.00	01/25/2019	Coast 360		135.00	
25.00	01/26/2019	Coast 360		25.00	
350.00	01/26/2019	Coast 360		350.00	
665,183.49			**417,436.83**	**127,217.93**	**120,528.73**
-					
-					

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Doc. No. 35GL-19-0403.

Leon Guerrero/Tenorio Transition Fund
Bank Recon - 2019/02/05

Bank Balance	**118,938.93**
O/S Checks	**(118,204.86)**
Reconciled Balance	**734.07**
Total Deposits	**665,917.56**
Total Disbursements	**(665,183.49)**
Reconciled Balance	**734.07**

Note - Bank Account will remain open until all checks clear or become stale dated and voided.

Doc. No. 35GL-19-0403.

Dedication to Transparency

On November 13, 2018, the Leon Guerrero Tenorio Transition Committee was formed pursuant to 5 GCA § 1502. At the time, it was no secret that the government of Guam was suffering from financial difficulties. To allow the prior administration to finish the calendar year without additional burdens on the budget, the Committee opted to seek donations to fund its operations.

There are two ways in which the use of public funds can be minimized for the inaugural festivities. First, 5 G.C.A. § 1502(e) allows the Transition Committee to accept "monetary and in-kind donations" and may deposit these donations in a private bank account to be administered by the Committee. Second, many gubernatorial transition committees form a section 501(c)(4) nonprofit for the purpose of funding inaugural activities. A 501(c)(4) is a tax-exempt nonprofit which must not be organized for profit and must be operated exclusively to promote social welfare, such as by bringing about civic betterment and social improvements. The most well-known 501(c)(4) in Guam is probably the former First Lady's organization, Rigalu, Inc.

The Transition Committee opted to organize under 5 GCA § 1502(d). This best promoted Governor Leon Guerrero's mission towards transparency. Different from 501(c)(4), the § 1502(d) organization required that: (1) all donors' identities by disclosed; (2) unexpended funds be transferred to the Government of Guam; (3) all funds collected be expended; and (4) full financial reports be provided to the Legislature. This response continues with the mission to remain transparent.

Audit Finding(s)

Opinions outside of Audit Purview

It is concerning that the Office of Public Accountability makes opinions outside of its audit purview. Several of its "findings" are made in hindsight and are more advisory than appropriate for audit. Any comments regarding the activities of the Leon Guerrero Tenorio Transition Committee should be limited to the body of law governing at the time of such activities. The Transition Committee explicitly chose to be transparent and acted with great deference to the law. Its prudence should be applauded.

All expenditures made by the Transition Committee were proper and authorized by law.

5 G.C.A. § 1502(a) states that the incumbent Governor shall assist the Governor-elect in preparing for his new duties and such assistance *"shall include but not be limited to* making available to the Governor-elect or his designees office space, office supplies, clerical assistance, and logistical support from other governmental agencies necessary for site and facility preparation, transportation, and security in conjunction with the inaugural celebration." (Emphasis added). It further states, "[a]ll expenses authorized by this subsection (a) shall be paid out of the current operations budget of the Executive Branch of the government notwithstanding any other provisions of law or regulations to the contrary."

In subsection (b), the Governor-elect is authorized to appoint a Committee which will assist her during the transition period, and such Committee will have such duties "as the Governor-elect may deem necessary for *an orderly transition between administrations which shall include, but not be limited to*, the preparation of the Governor-elect's inaugural ceremony and celebration." 5 G.C.A. § 1502(b) (emphasis added). "[I]n order to keep the use of public funds to a minimum", the Committee may accept monetary and in-kind donations *"for the purposes set out in this Section."* 5 G.C.A. § 1502(e) (emphasis added).

Knowing the financial circumstances surrounding the Government of Guam resources at the time, the Transition Committee, with the concurrence of then Governor-elect and Lieutenant Governor-elect, decided to seek donations to fund all its operations. The decision allowed the Transition Committee to organize a memorable inaugural celebration and provide proper furnishings and equipment for the incoming

administration. The law leaves no room for interpretation. All the Committee's expenditures were proper and wholly sanctioned by the law.

GUAM PROCUREMENT LAW CLEARLY DOES NOT APPLY TO NON-PUBLIC FUNDS.

Title 5, Chapter 5 of the Guam Code Annotated applies only "to every expenditure of *public funds*... by this Territory..." *See* 5 GCA § 5004 (b) (emphasis added). Donations made to the Transition Committee are not considered property of the Government of Guam until "any excess of the amount needed to pay expenses of the Committee" is deposited with the Treasury of Guam no later than thirty days after the assumption of office of the Governor-elect. 5 GCA § 1502(e). All expenditures were made prior to the conversion of the donations. The donations continued to be non-public funds until thirty days after inauguration. Therefore, the procurement law did not apply to Transition Committee activity during its existence. Even so, the Transition Committee was committed to ensuring that every expenditure benefitted its activities and not an individual. Purchases were made with qualitative and economic factors in mind.

GUAM LAW NEITHER MANDATES NOR SUGGESTS STANDARD OPERATING PROCEDURES FOR EXPENDITURES OF NON-PUBLIC FUNDS.

As previously stated, procurement law does not apply to non-public funds. In fact, the government of Guam has no authority over non-public funds. The Transition Committee, without government intervention, developed its own standard operating policies and procedures. The audit report indicates that there may have been one instance where those policies were not followed. However, further inspection of the documents will show that policies were followed.

THE TRANSITION COMMITTEE APPROPRIATELY KEPT ITS BANK ACCOUNT FUNDED TO COVER ANY OUTSTANDING ITEMS.

The Transition Committee's credit union account disclosures indicate that when an account is closed, account owners are "responsible for leaving enough money in the account to cover any outstanding items and charges to be paid from the account."[1] The disclosures also state that "[i]f a check, item or transaction is presented without sufficient funds in [the] account to pay it, [the credit union] may, at [its] discretion, pay the item (creating an overdraft) or return the item for insufficient funds (NSF)."[2] An account owner would face not only fees, but also legal liabilities, if he/she irresponsibly defunded and closed an account prior to the clearing of any outstanding checks, items or transactions.

The Transition Committee did not purposefully continue to operate past the thirty day limit.[3] Here, the Transition Committee chose to avoid legal liabilities and honor its obligation to keep its committee account funded until all appropriate expenditures had cleared. Once those transactions cleared, the Committee determined that there were funds in "excess of the amount needed to pay expenses of the Committee." The Committee diligently worked to provide the excess, which included an unexpected interest payment, to the Treasurer of Guam.

SINGLE SUBSTANTIATED FINDING

The Transition Committee failed to timely provide financial information when transmitting the final transition report to the Legislature. The law provides adequate guidance when it instructed that the chairperson of the

[1] Page 3 of Coast 360, Terms and Conditions of your Account - Amendments and Termination

[2] Page 3 of Coast 360, Terms and Conditions of your Account – Payment Order of Items

[3] As noted several times in the OPA's report, the Transition Committee ceases to exist and may not operate in any official capacity thirty days after the Governor-elect takes office. However, prior members of the Transition Committee continue to volunteer their time to fulfill the Governor's mantra of transparency and provide the Office of Public Accountability with all of its requests.

Committee shall prepare and submit a written report to the Governor and the Legislature, to include a report of all donations received and expenses paid by the committee, no later than thirty days after the assumption of office by the Governor-elect. 5 GCA §§ 1502(d) & (e). Several reasonable factors, mostly human error, contributed to the inadvertent omission to the final transition report. Even so, the law is clear. And because the Transition Committee chose to fundraise under § 1502, when previous administrations did so under 501(c)(4), the committee had an obligation to supply, without delay, the financial information along with the report.

CONCLUSION

The Transition Committee continues to promote Governor Leon Guerrero's dedication to be transparent. While it is unfortunate that the financial reports were inadvertently omitted from the Transition Committee's initial submission to the Legislature, all of the committee's actions went over and beyond what was required by law. The activity was all geared towards promoting a seamless transition without any impact to the general budget. Any funds collected in excess of the amount needed to pay for the expenses of the committee were diligently transferred to the Treasurer of Guam.

Governor and Lieutenant Governor's Transition Fund
Report No. 19-06, October 2019

ACKNOWLEDGEMENTS

Key contributions to this report were made by:
Andriana Quitugua, CFE, Auditor-in-Charge
Jerrick J.J.G. Hernandez, CGAP, CICA, Audit Supervisor
Edlyn Dalisay, CPA, CGFM, Audit Supervisor

MISSION STATEMENT

To ensure public trust and assure good governance in the Government of Guam, we conduct audits and administer procurement appeals, with objectivity, professionalism, and accountability.

VISION

The Government of Guam is the model for good governance with OPA leading by example as a model robust audit office.

CORE VALUES

Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.

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- **Call our office at 475-0390**
- **Fax our office at 472-7951**
- **Or visit us at Suite 401, DNA Building in Hagåtña;**

All information will be held in strict confidence.