



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 03-04 May 2003

Liberation Day Committee Investigative Audit of the Funds and Activities 2001 and 2002

In January 2003, the Office of the Public Auditor (OPA) initiated an investigative audit into the funds and activities of Liberation Day in response to concerns and complaints received by the OPA. The objectives of our audit were to evaluate the accountability of funds and activities by the Liberation Day Committee for 2001 and 2002.

Guam annually celebrates Liberation Day in July to commemorate the anniversaries of the liberation of Guam from the Japanese occupation and the inauguration of civil government. The 2001 Committee selected People Helping People and the Manenggon Memorial Foundation to receive net proceeds. The 2002 Committee did not make donations to any causes.

During our audit we found questionable Liberation Day activities. Full details of our findings can be found in the report.

- People Helping People, a non-profit organization, underreported a net amount of \$424,950 in donations received from the Liberation Day Committee in its 2000 and 2001 financial statements filed with the Department of Revenue and Taxation (DRT).
- We reconstructed the 2001 and 2002 income statement and found that the 2001 Liberation Day Committee underreported \$484,622 in revenues and \$172,377 in expenses in its income statement filed with DRT. Financial reports for 2002 had not been filed with DRT as of March 2003.
- Liberation Day proceeds of \$10,000 were paid to the Manenggon Memorial Foundation in 2001. We did not find any record of this alleged non-profit organization filed at DRT. The \$10,000 check was made payable to and cashed by the Foundation president and not the organization.
- The Department of Education (DOE) Support Staff Association contributed a total of \$15,686 towards their 2002 Liberation Queen candidate. A DOE General Fund check for \$5,000 was part of the \$15,686 contribution. The check stub indicated the check was for "PEC (Pacific Educational Conference) Expenses." A promissory note was signed by the President of the DOE Employees' Association and another DOE employee indicating that funds will later be paid in full without interest. We requested evidence that the DOE General Fund was reimbursed \$5,000 but we have not received it at the issuance of this report.
- Casino concession bids, the largest Liberation revenue source, for 2001 and 2002 were awarded to organizations with bids of \$412,100 and \$390,000 respectively. These bids were not supported by any documentation. A 2001 Casino bid of \$655,000 was rejected without explanation and the refund for deposit was made to the individual. For 2002, we found no evidence of the receipt of a \$65,000

concession deposit from an individual who supposedly bid for the Casino and was later refunded.

- Out of 33 bids for gambling activities and sale of alcoholic beverages, 28 bids worth \$988,433 lacked the non-profit status certification from DRT or the required sponsorship authorization from local non-profit organizations. We found no evidence that the non-profit organizations ever benefited from the authorization to conduct business under its name.
- We found that bids totaling \$930,287 were either not supported by bid forms or had insufficient documentation to explain why bids were rejected. There were \$21,925 in utility and clean-up costs that were not charged to certain vendors.
- We found 10,590 raffle booklets during the two-year period tested worth \$52,950 that were issued to sponsors and remain unaccounted for.
- We found that \$20,791 of raffle proceeds were made payable to individuals instead of the appropriate organizations supporting the candidate. The checks were either cashed or deposited into the individual's bank account.
- A Chamorro Land Trust Commission (CLTC) check was written to a former acting director for \$4,000 claimed to have been used for 2001 Liberation float. The amount has been repaid subsequent to a new director questioning the matter.
- Three individuals (including one committee member) were paid \$87,759 during 2001 and 2002 for technical fees, materials, and supplies for the Queen's Committee, of which \$32,628 was not supported by an invoice or receipt. We did not find any documentation to indicate that the Committee filed Form 1099-MISC to vendors and individuals for services rendered and/or the goods provided. This may have resulted in lost income tax revenue to the Government.

Our recommendations detailed in the report include the following:

- The Liberation Day Committee be audited annually by an independent auditor.
- An independent auditor be present to observe concession bid openings and raffle countings.
- Establish formal policies and procedures to administer the activities and transactions of the Liberation Day activities to be adopted by future Liberation Day Committees.
- Beneficiaries of Liberation Day proceeds should file financial statements and a report of the uses of the donated funds with DRT.
- Liberation Day proceeds be made payable to sponsor organizations, not individuals.
- DRT should determine if proper filings of Form 1099 and the required financial reports were made.
- The Attorney General of Guam (AG) and the Director of DRT to coordinate efforts in reviewing the underreporting of proceeds by the Liberation Day Committee, People Helping People, Manenggon Memorial Foundation, payments made to individuals, the use of government monies for raffle tickets, and gambling activities. The AG should determine if such actions are criminal in nature and warrant prosecution.

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