



OFFICE OF THE PUBLIC AUDITOR

OPA Report No. 01-03
November 2001

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Department of Parks & Recreation Employees' Association January, 1998 through June, 2001 Investigative Report

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Introduction

The Office of the Public Auditor (OPA) received a series of tips alleging that employees of the Department of Parks and Recreation (DPR) were diverting fees collected for Department-sponsored activities into the DPR Employees' Association bank accounts and the money was then distributed to DPR employees for personal purposes.

The OPA also initiated a performance audit of the DPR Revolving Fund. The results of that audit are presented in a separate report. This report focuses primarily on the activities surrounding the DPR Employees' Association.

Jurisdiction to Investigate

The Public Auditor has the authority to conduct surprise/unannounced audits of any government of Guam agency at the Public Auditor's discretion, and all agencies are required to surrender such records as are determined necessary by the Public Auditor for the conduct of the surprise/unannounced audits, 1 GCA § 1919. While the DPR Employees' Association bank accounts are not government accounts, they are subject to audit because of the allegation that government employees wrongfully deposited government funds into the Association accounts.

Background of Employees' Association

According to records from the Department of Revenue and Taxation, there was a DPR Employees' Association created in 1983. In 1998, a second DPR Employees' Association was created. In 1999, the initial Employees' Association was formally terminated. Because the scope of this report began in January 1998, there is a period of overlap when both Associations were in existence. For purposes of this report, the two Associations will be referred to as the "Old Association" and the "New Association."

According to the Preamble of the 1998 Constitution of the DPR Employees' Association, the New Association was formed to foster esprit de corps, enhance brotherhood and promote the general welfare and goodwill of the Department's employees. All employees of the Department are eligible to become members of the Association. Membership dues are set at \$3.00 per pay period. An initial membership fee of \$5.00 is to be paid with the application for membership.

The administration of the Employees' Association shall be the responsibility of an Executive Board of elected officers that include a president, vice-president, secretary and treasurer. Among the duties of the treasurer are to receive and keep all monies of the Employees' Association, keep accurate records of receipts and disbursements, deposit all monies of the Employees' Association in the bank chosen by the members, prepare financial reports to be presented at regular meetings and cause the records to be audited. Disbursement of funds shall be for the benefit of the members and be made upon the signatures of both the treasurer and the president.

The officers of the New Employees' Association who signed the constitution on December 12, 1998, were President Kenneth R. Perez, Vice-President Doris R. Estrada, Secretary Tilly C. Flores and Treasurer Joanne P. Miner.

According to Rita Artero, a past officer of the Old Employees Association, that organization had been in existence since 1983. The prior constitution and bylaws were not available.

Background of Parks and Recreation Revolving Fund

The DPR Revolving Fund was established by 21 GCA § 77114. The law states:

There is hereby established separate and apart from other government funds, the Parks and Recreation Revolving Fund (the Fund), which Fund shall be used by the Department of Parks and Recreation (the Department) for the development, improvement and maintenance of the Guam Territorial Park System under the jurisdiction of the Department, consisting of natural reserves, conservation reserves, territorial parks, territorial recreational facilities, historical and pre-historic objects and sites and cemeteries. All money collected from donations and fees pursuant to §77114.1 of this Chapter shall be deposited in the Fund.

The Parks and Recreation Commission is empowered by 21 GCA §77114.1 to set and collect "fees, charges and assessments for the use of the Department's park facilities." The scope of activities for which fees may be levied is broad, including the "use of park shelters, pavilions and open areas by the public and by park vendors, the use of recreation facilities, sign-up fees, concession, billboards, equipment rentals, facility rentals, overnight camping fees, and commercial photography fees." The Director of the Department is the custodian of the Fund and may draw money from it, at the request of the Commission, "for the development, improvement or maintenance of the territorial park system under the jurisdiction of the Department, for recreational facilities, or for on-island sports programs and to underwrite the cost of implementing the recreational on-island sports programs established by the Department, not to exceed twenty-five thousand dollars (\$25,000) for any one project or program. No money from the Fund shall be used for off-island travel."

Objective

The objective of our investigation was to gather and analyze evidence to form a conclusion as to whether the evidence supports or does not support the following allegations:

Allegation #1: DPR fees intended for the Revolving Fund were diverted by DPR employees into the bank accounts of the Employees' Association.

Allegation #2: The money deposited into the Employees' Association accounts was distributed to certain DPR employees for personal purposes.

During the investigation another concern came to our attention.

Concern # 1: The DPR Assistant Recreation Administrator personally benefited by using the Employees' Association receipts to collect and retain government fees for himself.

Scope and Methodology

The scope of the investigation was limited to transactions of the bank accounts of the Employees' Association. The period of the investigation was January 1, 1998 to June 30, 2001. The methodology used was to review deposits and disbursements, receipts, check vouchers and other documentation of the Employees' Association during the 42-month period and to make a determination as to whether the evidence gathered supports the allegations and indicates possible noncompliance with government laws, regulations and policies.

The report was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

Overall Conclusion

The available evidence supports the allegations that DPR employees diverted in excess of \$67,000 in DPR fees intended for the DPR Revolving Fund into the Employees' Association bank accounts and used the money for personal purposes. In another case, evidence indicates a single employee collected and retained a DPR fee of \$3,200 in cash for his own use.

Specific Findings and Conclusions

“Stolen” and/or Misplaced Employees Association Documents

During the course of our investigation we learned that there were two Employees' Association bank accounts. Bank account #101144843 was opened prior to January 1998 and closed on November 1999. The authorized signer for this account was Rita Artero, Recreation Supervisor for Community Programs. Bank account #621001155 was opened in December 1998 and closed in June 2001. The authorized signers for this bank account were Doris Estrada, Tilly Flores and Joanne Miner.

We requested copies of financial reports, deposit slips, bank statements, cancelled checks, check vouchers and other documentation of the Employees' Association from both Doris Estrada and Rita Artero. Doris Estrada informed us that virtually all the documents pertaining to bank account # 621001155 were “stolen” from the desk of an employee of the Department. We were provided with a few copies of receipts and some cancelled checks. We inquired from Dwight Hills, the Park Ranger, regarding the allegedly stolen Employees' Association documents. He stated that he could not remember the exact date of the incident and that there was no formal complaint filed with the Guam Police Department. He also stated that he was asked to check into and inquire from Frank Herrero about a certain logbook. Frank Herrero, Assistant Recreation Administrator, allegedly told him that he submitted the logbook to the Director's office and it was subsequently stolen.

According to Rita Artero, all documents pertaining to bank account #101144843 had been discarded after the account was closed in November 1999. This bank account was closed at the request of then Deputy Director Dominic Muna. Muna stated that he asked this bank account be closed because there was another bank account in existence.

According to 18 GCA §14102 non-profit organizations are required to file an information return presenting the financial activities of the non-profit organization. We verified with Department of Revenue and Taxation that the old Employees' Association did file for Tax Exempt Status in 1983 and had fully complied with financial reporting requirements from 1983 to 1992.

The New Association organized in December 1998 by Kenneth R. Perez and Doris Estrada filed for and received employer identification number (EIN) 66-0562982 from the Internal Revenue Service on December 1, 1998. This Association did not file for Tax Exempt Status nor did it submit any financial reports to the Department of Revenue and Taxation. Because of the New Association's failure to obtain tax-exempt status, it appears that the revenues deposited into its account may have been subject to tax.

Employees' Association Revenue Estimates

The current President of the New Employees' Association, Doris Estrada, told us that efforts to collect membership dues and the initiation fees from employees were unsuccessful. During interviews of selected employees of the Department, we were unable to identify any employee who paid or was paying dues to the Association.

Due to the lack of physical evidence regarding the money received by the Employees' Association, we estimated the revenues of the Employees' Association had they collected their dues. Our estimate was based on the provision of the Association's constitution that dues of \$3.00 per member per period would be collected. We did not include the initial membership fee \$5 in our calculation for simplicity of presentation.

If biweekly membership dues had been collected in accordance with the Association's constitution, we would expect the monthly deposits into the Employees' Association bank account to be relatively consistent in amount and in date of deposit.

The following table is an Estimate of Dues Income assuming all employees had paid their dues to the Association.

Calendar Year	Number of Employees	Pay periods	Dues	Annual Revenue
1998	149	26	\$3.00	\$ 11,622.00
1999	125	26	3.00	9,750.00
2000	123	26	3.00	9,594.00
2001	102	13*	3.00	3,978.00
Total Revenue				\$ 34,944.00

*Bank account closed June 2001.

The following Table indicates that, from the records available, deposits of at least \$67,037.36 were made into the two bank accounts over the 42-month period from January 1998 to June 2001. These amounts are considerably more than would have been realized from dues if such dues had been paid and are not consistent from month to month.

MONTH	DEPOSITS		
	Bank # 101144843	Bank #621001155	Total
Jan-98	\$ 525.00	\$	\$ 525.00
Feb-98	0.00		0.00

MONTH	DEPOSITS		
	Bank # 101144843	Bank #621001155	Total
Mar-98	1,675.00		1,675.00
Apr-98	4,855.00		4,855.00
May-98	2,039.26		2,039.26
Jun-98	4,341.72		4,341.72
Jul-98	5,772.30		5,772.30
Aug-98	275.00		275.00
Sep-98	0.00		0.00
Oct-98	1,679.80		1,679.80
Nov-98	0.00		0.00
Dec-98	0.00	2,458.70	2,458.70
Jan-99	No Bank Statement	570.00	570.00
Feb-99	40.00	602.00	642.00
Mar-99	0.00	380.00	380.00
Apr-99	700.00	325.00	1,025.00
May-99	0.00	990.00	990.00
Jun-99	0.00	1,330.00	1,330.00
Jul-99	6,370.00	2,005.11	8,375.11
Aug-99	400.00	541.99	941.99
Sep-99	200.00	429.55	629.55
Oct-99	0.00	400.00	400.00
Nov-99	0.00	0.00	0.00
Dec-99	Bank Account Closed	449.40	449.40
Jan-00		175.00	175.00
Feb-00		0.00	0.00
Mar-00		7,550.00	7,550.00
Apr-00		0.00	0.00
May-00		0.00	0.00
Jun-00		1,490.00	1,490.00
Jul-00		3,120.00	3,120.00
Aug-00		6,700.00	6,700.00

MONTH	DEPOSITS		
	Bank # 101144843	Bank #621001155	Total
Sep-00		0.00	0.00
Oct-00		5,463.50	5,463.50
Nov-00		1,200.00	1,200.00
Dec-00		1,963.70	1,963.70
Jan-01		0.00	0.00
Feb-01		0.00	0.00
Mar-01		0.00	0.00
Apr-01		20.33	20.33
May-01		0.00	0.00
Jun-01		0.00	0.00
TOTAL	\$ 28,873.08	\$ 38,164.28	\$ 67,037.36

The Director and other employees informed us that the Employees' Association conducted fund-raisers such as food sales, raffles and game sponsorships. There were however, no minutes of the Employees' Association or any authorization for fund-raising activities that could substantiate the frequency, the date and the nature of these Employees' Association fund-raising activities or, more importantly, the amounts generated by such activities.

We did locate one agenda dated December 16, 1998 that listed a fund-raiser softball tournament and raffle. There was no evidence found of any money having been raised through the alleged activities and then deposited to the Employees' Association bank accounts. Such evidence could have been among the documents that were allegedly stolen and/or misplaced.

We asked Director Muna for any memos or other documentation that might indicate the Employees' Association was authorized to sponsor tournaments in the Employees' Association name and thus retain the money collected. The Director was unable to locate any document authorizing the Employees' Association to sponsor such fundraising activities.

Deposits into Employees' Association Bank Accounts

Of the \$67,037.36 deposited into the Employees' Association bank accounts, we could only identify \$2,927.00 with Employees' Association receipts. From a review of the types of activities for which Employees' Association receipts were given, it is clear that the money collected was government funds that should have been deposited into the DPR Revolving Fund and not the Employees' Association bank account. Employees collected monies for team sponsorships, entrance fees, aquatic classes, ticket sales, use of Agana Pool totaling \$2,927.00. Director Muna confirmed to us that these activities are not Employees' Association activities.

Employee Position	Payer	Payment for	Official Receipt No. and Date		Amount
Recreation Leader 1	Ken San Nicolas	Kings Team – MIBT ¹	6301	15-Jan-99	\$ 200.00
		Santa Rita Team – MIBT	6302	19-Jan-99	100.00
		Scuba Team – MIBT	6303	20-Jan-99	130.00
		Trans and Ticket Sales – MIBT	6304	28-Jan-99	140.00
		Youth Center Ticket Sales – MIBT	6305	27-Jan-99	32.00
		Youth Center Team Island Dragons – MIBT	6306	02-Feb-99	200.00
		Youth Center Yigo 98 – MIBT	6307	08-Feb-99	135.00
			6308	08-Feb-99	35.00
	Umatac Municipal Plan Council	Entrance Fee – MIBT	6309	17-Feb-99	200.00
Recreation Leader 1	Ken San Nicolas	Ticket Sales	6310	22-Feb-99	80.00
Adm Service Officer	J. San Agustin	Aquatic Class	6311	03-Mar-99	150.00
Lifeguard	Terry Mayberry	Agana Pool Swimming class	6312	09-Mar-99	150.00
Assistant Recreation Administrator	Frank Herrero	Agana Pool Junior Lifeguard	6313	31-Mar-99	275.00
	Frank Herrero	Agana Pool	6314	20-May-99	500.00
	Frank Herrero	Agana Pool	6315	27-May-99	490.00
	Frank Herrero	Agana Pool	6316	16-Jun-99	110.00
Total					\$ 2,927.00

¹ MIBT is an abbreviation for Marianas Invitational Basketball Tournament.

We identified another \$7,800 in receipts issued in the name of the Employees' Association to operators doing business from the designated area of Recreational Water-Use Management Plan (RWUMP). The \$7,800 collected was deposited into the Employees' Association bank account #621001155. Director Muna confirmed to us that the activities involved were those of the Department and not ones for which the Employees' Association should have received payment. See Table below for details.

<i>Date of Document</i>	<i>Kind of Document</i>	<i>Activities Paid For</i>	<i>Amount</i>
03/01/00	DEPREA Receipt #3493	Payment for Recreational Water Sports Activities Permits (RWUMP) initial fee payment covering period 1998-1999	\$ 3,200.00
08/11/00	Applicant's Check – Citibank #3108	Payer is Palmtopia dba: Charles Marine Sports Club. Payment for RWUMP covering year 2000-2001	\$ 1,800.00
08/24/00	DEPREA Receipt #2998 and Applicant's Check – Union Bank of California #25	Payee is Merizo Lagoon Corporation. Payment for RWUMP covering year 2000-2001	\$ 1,600.00
08/24/00	DEPREA Receipt #2999 and Applicant's Check – FHB #1451	Payee is KC Water Sports c/o Ms. Charita Taitano Payment for RWUMP covering year 2000-2001.	\$ 1,200.00
TOTAL			\$ 7,800.00

Based on an analysis of the available evidence, we have concluded that the employees who collected the \$2,927 and the \$7,800 and deposited the money into the Employees' Association bank accounts diverted DPR Revolving Fund money, which are government funds, for personal purposes.

In the absence of any other receipts or other evidence of the source of the money, we have also concluded that it is likely the remaining money deposited into the two Employees' Association accounts, \$56,310.36, was money that should have been placed into the DPR Revolving Fund.

Marianas Invitational Basketball Tournament (MIBT)

Testimonial evidence from the DPR employees indicated that every year the Department sponsors a youth basketball tournament called "The Youth Center Senior Boys Basketball League." Each year approximately nine teams from around the island compete for a period of several weeks. The team that wins the league championship wins the right to compete in the Marianas Invitational Basketball Tournament (MIBT), which is usually held in March of each year. The MIBT is a tournament in which the Guam team competes against teams from neighboring islands such as Saipan, Tinian, Palau, etc. The site of the MIBT is rotated among the islands each year. In 2000, the tournament was held in Saipan. In 2001, the tournament was held in Guam.

The league and the tournament are operated by DPR employees. Testimonial evidence indicated that four DPR employees attended the tournament in Saipan in March 2000.

The testimony indicated that the entry fees of approximately \$200 per team were deposited to the Employees' Association to avoid the "red tape" of the DPR Revolving Fund. This situation appeared to be common knowledge with many employees in the DPR. Among the "red tape" that would be avoided by this irregularity is the prohibition in 21 GCA § 77114.1 that no money from the DPR Revolving Fund shall be used for off-island travel.

The testimony also indicated that this practice occurred in 1999 and 2000, but not in 2001. However, during the period of our audit which covered the years 1998 thru 2001, we did not find any evidence of any funds being deposited into the DPR Revolving Fund from admission fees or other receipts earned at the MIBT tournament or the Youth Center Senior Boys Basketball League games.

To verify that admission fees are collected at the MIBT, an OPA staff member attended the 2001 MIBT and paid an admission fee to DPR employees. Thus, a government facility was used to house the league and the tournament. DPR employees devoted their time and effort during working hours to run the tournament including a trip to Saipan for four employees. Government equipment and power was used to operate the tournament. However, there has been no accounting of the funds collected nor the expenditures made with regards to this league and subsequent tournament.

Cash Deposit Diverted by DPR Employee

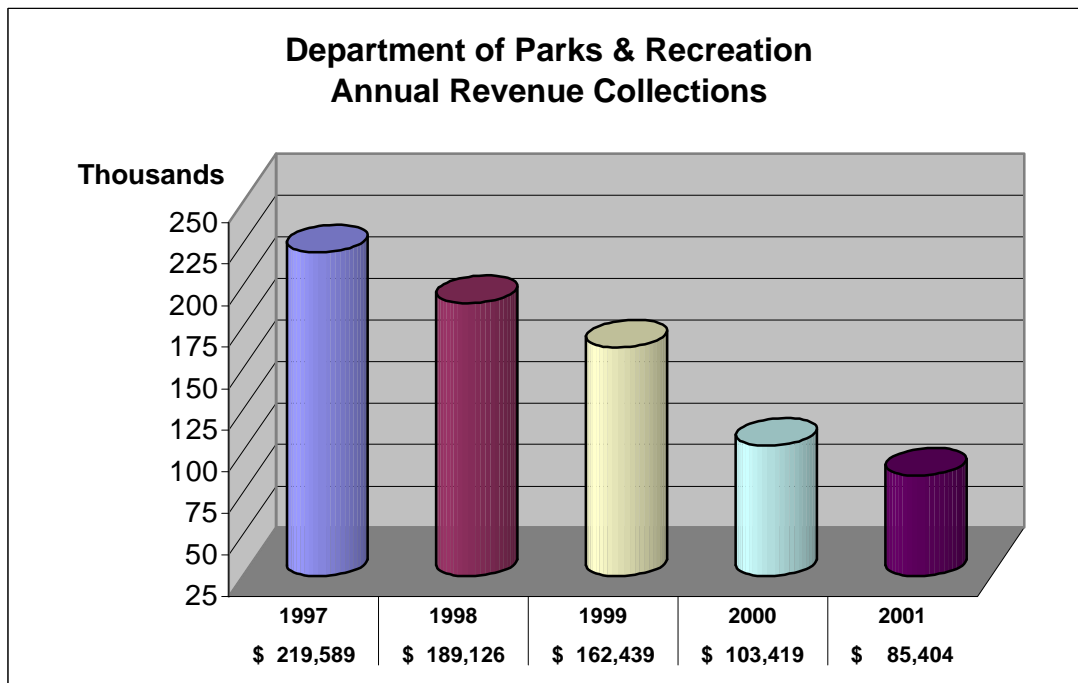
On December 14, 1999, a Recreational Facility Use Permit was issued to Palace Central Sports Guam, Inc. The permit fee paid was \$3,200. Evidence indicates that an Employees' Association receipt was issued by the Assistant Recreation Administrator, Frank Herrero, as evidence of cash collected from the applicant. We confirmed with Palace Central officials that \$3,200 in cash was paid to Frank Herrero. The Director again

stated that the issuance of recreation facility use permits is an activity of the Department of Parks and Recreation and not an Employees' Association function.

We were unable to locate a deposit into either the Employees' Association bank accounts or the DPR Revolving Fund for the \$3,200 collected by the Assistant Recreation Administrator. We can only conclude that the \$3,200 in cash was diverted by Frank Herrero for his personal benefit. Such conclusion supports our **Concern #1** that the DPR Assistant Recreation Administrator personally benefited by using Employees' Association receipts to collect and retain government fees for himself.

Fees Deposited into Department of Parks and Recreation Revolving Fund

A summary of money deposited into the DPR Revolving Fund for the past five fiscal years is presented in the following tables.

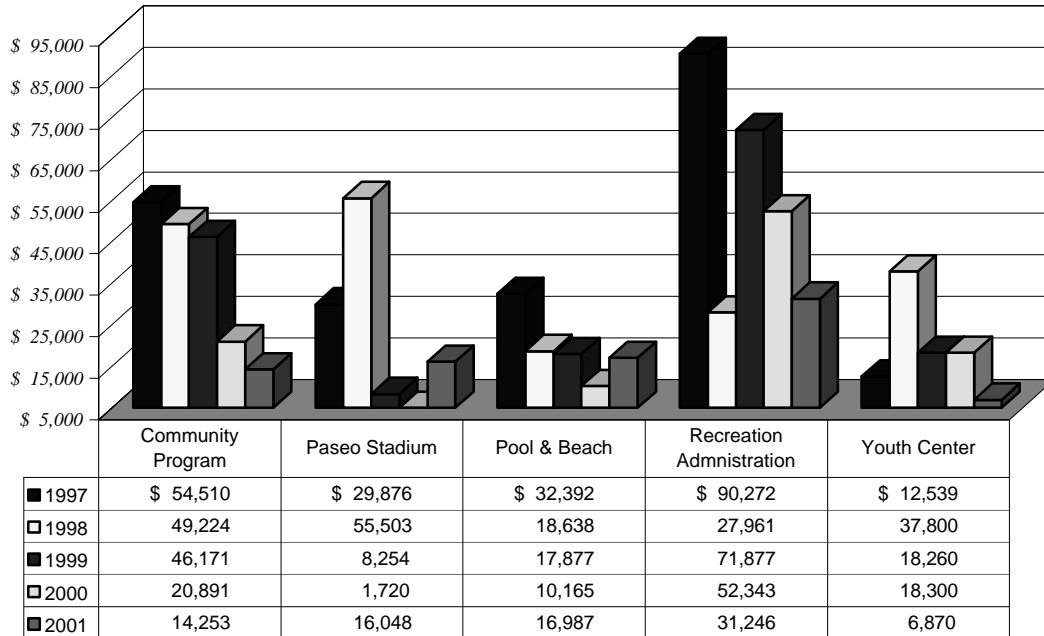


An analysis of fees deposited into the Revolving Fund, highlights some disturbing trends. Total fees collected have dropped dramatically in the last five years going from \$219,589 in FY 1997 to \$85,404 in FY 2001, a decline of 61 %.

As illustrated in the chart below, within the major programs there were also precipitous declines in revenue reported as well as roller coaster trends. Paseo fees went from \$29,876 in FY 1997 to \$55,503 in FY 1998 to a low of \$1,720 in FY 2000.

Similar fluctuations occurred in all other fee programs. In one year Community Programs declined by over 54%, going from \$46,171 in FY 1999 to \$20,891 in FY 2000. Likewise for fees collected for use of Pool & Beach, there was a 42% decline in fees reported in FY 1998 from FY1997 and again a similar 43% decline in FY 2000 over FY 1999. Recreation fees suffered a 70% reduction, going from \$90,272 in FY 1997 to \$27,961 in 1998. In FY 1999 Recreation fees rebounded to \$71,877 but again dropped another 27% in FY 2000.

**Department of Parks & Recreation
Annual Revenue Collections per Section**



We inquired of the Director and Administrative Service Officer what procedures they perform to ensure that the funds collected for the use of DPR facilities were being properly deposited to the Government bank account. The Administrative Service Officer indicated that he prepares a report summarizing daily cash receipts. The Director indicated that he periodically asks to see the report. Based on documents presented for our review, we were able to satisfy ourselves that such reports had been prepared starting in January 2001. We did not see any indications such reports were being prepared prior to that date. In any event, we do not believe the controls noted above are sufficient to ensure that DPR Revolving Fund receipts are properly recorded.

Under 21 GCA § 77104(f) the Director has a duty to manage the Parks Fund, which duty presupposes a constant awareness on his part of the receipts and expenditures for the Fund and their fluctuations.

Under 21 GCA § 77114.2 the Commission shall submit no later than January 31 of each year annual audited financial statements of the Fund to the Governor and to the

Legislature. According to the Chairman of the Commission and the Director, no such annual reports have ever been filed to the Governor or the Legislature.

Had this analytical review of income into the Revolving Fund been performed on a monthly, quarterly, and annual basis and had the annual auditing and reporting requirements of the DPR Revolving Fund been performed, the management of the Department might have been able to detect and/or prevent the erosion of income, or at least been able to explain the decline and fluctuations in funds. Further such oversight over the Revolving Fund would have served as a deterrent to diversion of the money collected.

Disbursements from the Employees' Association Bank Accounts

During the 42-month period of January 1998 to June 2001, checks for approximately \$65,784.43 were drawn on the two Employees' Association bank accounts. Based on the limited number of cancelled checks and check vouchers we could obtain, we were able to document only \$22,020.74 of disbursements written to various vendors and Department employees.

MONTH	WITHDRAWALS		
	Bank # 101144843	Bank # 621001155	Total
Dec-97			
Jan-98	\$ 0.00	\$	\$ 0.00
Feb-98	0.00		0.00
Mar-98	0.00		0.00
Apr-98	2,471.18		2,471.18
May-98	3,854.22		3,854.22
Jun-98	2,272.95		2,272.95
Jul-98	4,548.10		4,548.10
Aug-98	2,310.50		2,310.50
Sep-98	344.00		344.00
Oct-98	4,469.87		4,469.87
Nov-98	333.00		333.00
Dec-98		2,382.00	2,382.00
Jan-99	No Bank Statement	76.26	76.26
Feb-99	0.00	640.00	640.00
Mar-99	0.00	659.00	659.00
Apr-99	700.00	257.50	957.50

MONTH	WITHDRAWALS		
	Bank # 101144843	Bank # 621001155	Total
May-99	99.95	250.00	349.95
Jun-99	0.00	200.00	200.00
Jul-99	2,231.66	1,265.28	3,496.94
Aug-99	4,547.50	900.00	5,447.5
Sep-99	200.00	823.80	1,023.80
Oct-99	520.00	1,779.98	2,299.98
Nov-99	4.91	0.00	4.91
Dec-99	Bank Account Closed	0.00	0.00
Jan-00		0.00	0.00
Feb-00		575.00	575.00
Mar-00		7,206.00	7,206.00
Apr-00		300.00	300.00
May-00		0.00	0.00
Jun-00		600.00	600.00
Jul-00		3,014.97	3,014.97
Aug-00		6,959.50	6,959.50
Sep-00		350.00	350.00
Oct-00		5,198.80	5,198.80
Nov-00		1,188.00	1,188.00
Dec-00		1,300.50	1,300.50
Jan-01		950.00	950.00
Feb-01		0.00	0.00
Mar-01		0.00	0.00
Apr-01		0.00	0.00
May-01		0.00	0.00
Jun-01		0.00	0.00
TOTAL	\$ 28,907.84	\$ 36,876.59	\$ 65,784.43

Of the \$22,020.74 of identified checks, there were 13 Department employees who received payments for such activities as funeral donations, administrative service, entertainment for night market, MIBT Saipan expenditures, reimbursement for pool activity, payment of aquatic class and a loan. The amounts paid to the 13 Department employees totaled \$9,667.50. One employee Pedro Gogo, the swimming pool operator, received three payments totaling \$2,800 from the \$22,020.74.

Another Department employee, Assistant Recreation Administrator Frank Herrero, received seven payments totaling \$3,557.50; his wife received an additional three payments totaling \$3,500 and his daughter received one payment of \$800. The Herreros' combined payments totaled \$7,857.50 from the \$22,020.74. Because we did not have all the cancelled checks or copies of check vouchers, we were unable to determine if payments were made to other Department employees. No request has been made to the bank to provide copies of missing checks at this time. A summary of the identified checks is provided in Table below.

Employee Position	Payee	Check Description	Check Date & Check No.		Amount Paid
Laborer	Aguigui, Jocelyn	Funeral donation – mother in law	03/24/00	1033	100.00
	Amparo's Foreign Exchange	MiBT banner	02/17/99	1002	200.00
Recreation Leader 1	Bass, Rudy	Administrative service	08/28/00	1064	150.00
Maint Laborer	Borja, Melan	Baseballs	08/28/00	1059	150.00
Grounds Maint Supervisor	Castro, Ricardo	Entertainment-night mkt	06/09/99	1010	200.00
		Night market (band)	07/15/99	1015	200.00
	Continental Airlines		03/23/00	1032	1,000.00
			03/24/00	1034	900.00
			03/28/00	1035	306.00
	Cost U Less	DPR concession 7/2/99	07/02/99	1012	152.62
			10/13/99	1029	52.88
	Creativities Screen Printing	DPREA labor day shirts	08/20/99	1018	300.00
		Shirts '99 DPREA	09/27/99	1021	323.60
	Crown Bakery		10/12/99	1023	701.40
	Dimension System, Inc.		11/19/00	1054	32.00
Grounds Maint Supervisor	Estrada, Doris R.		08/02/00	1055	200.00
	Freedom Air	Raffle	03/07/99	1004	150.00
		Air tickets for MIBT	03/08/99	1006	289.00
Swimming Pool Operator	Gogo, Pedro		03/03/00	1028	800.00
			08/18/00	1057	1,100.00
			08/28/00	1060	900.00
	Guåhan Officials Assn		07/31/00	1050	440.00
	Guam Hotel Restaurant Assn	DPR employees softball entrance fee	01/28/00	1025	425.00

Employee Position	Payee	Check Description	Check Date & Check No.		Amount Paid
Daughter of Frank Herrero	Herrero, Christine M.C.		08/15/00	1056	800.00
Wife of Frank Herrero	Herrero, Frances C.		03/03/00	1030	1,200.00
			08/14/00	1051	1,600.00
			08/28/00	1062	700.00
Assistant Recreation Administrator	Herrero, Franklin E.	Reimbursement for aquatic camp exp	04/06/99	1007	257.50
		Reimbursement for night market entertainment	05/27/99	1009	200.00
		Pool activities	08/23/99	1019	600.00
		Loan to aquatic	09/17/99	1020	500.00
			03/07/00	1031	900.00
		MIBT Saipan expenditures	03/30/00	1037	1,000.00
			08/04/00	1053	100.00
Lifeguard Instructor	Ignacio, Allan J.	MIBTSaipan expenditures	03/29/00	1036	900.00
		MIBTSaipan expenditures	03/31/00	1038	300.00
	Luen Fong Enterprise		10/13/99	1024	247.80
Property Control Officer	Matanane, Gregory A.	Food for Labor Day Picnic	08/28/00	1061	500.00
Lifeguard	Meyberry, Terry	Reimbursement of pool activity	05/20/99	1008	50.00
Director	Muna, Dominic	Donations for G. Matanane's funeral	03/01/00	1027	100.00
	Payless Supermarket		08/28/00	1058	200.00
	Reyes, Josie L.	Purchase drinks & paper products	01/28/00	1026	150.00
Lifeguard	Rolinski, Boleslaw	Payment for aquatic class	07/23/99	1016	200.00
	Sanchez, Fred	Officiating	02/05/99	1001	440.00
		MOSA officiating	02/26/99	1003	220.00
	Sunny Wholesale	DPREA excursion	07/02/99	1011	254.66
			10/12/99	1022	830.78
	The T. Factory		08/04/00	1052	437.50
Laborer	Torres, Thomas F.	Loan to be paid	07/27/99	1017	260.00
Total					\$ 22,020.74

Because most, if not all, the money deposited into the two Employees' Association bank accounts should have been deposited into the DPR Revolving Fund, we have concluded that the payments made to certain Department employees constituted an expenditure of Government funds for these employees' personal purposes. We have made no determination whether some of the employees may have received the money innocently or whether all of them had knowledge that the money was in fact money that should have gone to the DPR Revolving Fund.

Oversight of the Employees' Association Bank Accounts Activities

A recap of the Employees' Association two bank accounts activities for the 42-month period January 1998 to June 2001 shows deposits of \$67,037.36 and disbursements of \$65,784.43 were made.

BANK DEPOSITS			WITHDRAWALS			Total Bank Charges
#101144843	#621001155	Total	#101144843	#621001155	Total	
\$28,873.08	\$ 38,164.28	\$ 67,037.36	\$ 28,907.84	\$ 36,876.59	\$ 65,784.43	\$1,619.60

We inquired of Director Muna as to his involvement and oversight into the activities of the Employees' Association. The Director stated that the Employees' Association is a private entity and he tried to avoid any involvement.

Article III – Policies of the Employees' Association Constitution does state in part that the Association shall formulate policies consistent with the wishes of member employees, within legal bounds, and not from top management's views, influence and/or standpoint. Top management has no prerogatives in voting on projects, programs and objectives; but may offer guidance and assistance upon invitation.

We note that the Director did exercise his management oversight when he requested of Rita Artero to close bank account #101144843 in November 1999 due to the existence of another Employees' Association bank account. Upon further inquiry Director Muna stated that he also requested Doris Estrada to close bank account #621001155 in June 2001. The Director stated this was done as a result of news articles in the Pacific Daily News surrounding questionable activities of the Employees' Association.

We disagree with both the Director and Association Constitution pertaining to management oversight. As previously cited in 21 GCA § 77104(f) the Director has a duty to manage the DPR Revolving Fund. Had there been some oversight on the part of the Director, such as a submission of monthly financial information from the Employees' Association to the Director, the diversion of Parks Funds could possibly have been deterred or at least discovered before an anonymous tipper called the matter to the attention of the OPA.

Recommendations

Recommendation to the Attorney General

The draft report was provided to the Chief Prosecutor of the Attorney General's Office. Based on the evidence that indicates that persons within the DPR diverted Parks and Recreation fees intended for the DPR Revolving Fund into the Employees' Association's bank accounts and used the money for personal purposes, we recommend that the Attorney General cause an investigation to be commenced to determine if the acts alleged warrant prosecution.

Recommendations to the Director and Commission of the Department of Parks and Recreation

The draft report was provided to the Director and the Chairman of the Parks and Recreation Commission.

1. Based on the evidence that money that should have been deposited to the DPR Revolving Fund was wrongfully diverted to the Employees' Association and then to the personal benefit of individual employees, the Director must establish controls within the Department that assure that all receipts of the Department are properly accounted for and used only for the purposes for which the Legislature established the Revolving Fund.

Other recommendations for improving the management of the Revolving Fund are enumerated in our separate audit report on the Parks and Recreation Revolving Fund.

2. Based on the evidence that the Employees' Association accounts were used for improper purposes, the Director, because of his statutory duty to administer the activities of his Department and the conduct of its employees, must oversee the activities of the Employees' Association to assure that there is no improper conduct in regards to government funds. Immediately, the Director must confirm whether any funds still held by the Employees' Association should be repaid to the Department's Revolving Fund and that no new Employees Association accounts be established without appropriate safeguards that assure the proper use of the Association's money. On a continuing basis the Director should monitor the activities of the Employees' Association.

3. Based on the evidence that employees wrongfully diverted government money for their personal use, the Director, because of his statutory duty to administer the activities of his Department and the conduct of its employees, must determine if disciplinary action should be taken against any employee.

4. Pursuant to 21 GCA § 77114.2, the Commission shall submit no later than January 31 of each year, an audited financial statement of the Department of Parks and Recreation Revolving Fund. The OPA will assist the Department in providing the required request for proposal for this audit service.

Limitations of the Report and Acknowledgements

The period covered by our report was the 42-month period from January 1, 1998 through June 30, 2001 and does not cover any period prior to or subsequent to these dates. Our investigation was performed, as applicable, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The report has been released to the Governor of Guam, the Speaker and Members of the Guam Legislature, the Chairman of the Parks & Recreation Commission, the Director of the Department of Parks and Recreation and the Attorney General. This report is a matter of public record and its distribution is not limited.

The Director and employees of the Department of Parks and Recreation, the Department of Administration and the Department of Revenue and Taxation contributed information that materially assisted the OPA in the completion of its work. The cooperation of these individuals is gratefully acknowledged.

The OPA sincerely appreciates and thanks the anonymous persons who stepped forward to provide information. Without this assistance, the diversion of DPR fees intended for the improvement of Guam's Parks and Recreation facilities might not have been discovered.

OFFICE OF THE PUBLIC AUDITOR

DORIS FLORES BROOKS, CPA
Public Auditor

OPA Report No. 01-03
November 2001