



EXECUTIVE SUMMARY

OPA Report No. 03-01 February 2003

Investigative Audit of the Safe Streets Foundation 1997 through 2000

In response to a May 2002, request from the Prosecution Division of the Office of the Attorney General, the Office of the Public Auditor (OPA) conducted an investigation into allegations of misuse of funds of the Safe Streets Foundation. The Safe Streets Foundation is a non-profit association that was formed, among other things, for the support of "Organizations, Associations, Departments and various other groups in helping keep our streets safe." The Foundation received funds from federal, local, and off-island governments, as well as donations from private businesses and citizens in order to carry out their mandates.

Due to our own limited resources and other audits in progress, we did not begin our investigation until October 2002. We reviewed the documents provided by the Office of the Attorney General and those obtained from other sources. Our objective was to determine whether evidence supported allegations that Guam police officers and other Government of Guam personnel had misused the Foundation's funds for personal purposes. Based on the information provided to us, we attempted to reconstruct a statement of receipts and expenditures of the Foundation's activities for the 34-month period from July 1997 through April 2000. This statement is included as **Appendix A** in the report.

We have concluded that Police Officer III John D. Manibusan, vice president and later the president of the Foundation and Superior Court Probation Officer Roy B. Duenas, treasurer of the Foundation, were grossly negligent in their duty to maintain adequate financial records of transactions relating to appropriations, grants, donations, registration fees, and promotional revenues and expenditures of the Foundation. As a result, these individuals failed to safeguard, control, and properly account for more than \$849,000 of funds contributed by the Government of Guam, other governments, and private businesses and, in effect, may have conspired by their control of funds to benefit themselves personally.

During the 34 months that the Foundation was active, the Chiefs of Police then in charge of the department were derelict in their oversight responsibility for Foundation activities that were conducted under the auspices of the Guam Police Department (GPD). We did not find any evidence that any Chief of Police (Jack Shimizu, Joseph Mafnas, Henry Terlaje, and James Marques) in charge of the department during the period ever requested an accounting of funds or any type of report for any of the five conferences the Foundation sponsored. Chief of Police Ed Kabina initiated an inquiry of Foundation activities, which did not lead to any conclusion as to wrongdoing.

The GPD inquiry was referred to the Attorney General's office in June 2000. While we recognize that investigations of this nature take time, and that there was turnover in the AG's office, it appears that no further action was taken in the Attorney General's Office until it requested the OPA to review the documents in May 2002.

No records were kept of promotional sales and registration fees collected for the five conferences. Documentation for disbursements to various payees was often lacking. Among our findings:

- Manibusan received at least \$24,300 by endorsing checks made payable to cash;
- Immediately after Typhoon Paka, Manibusan spent \$4,439 in Foundation funds for his and his family's stay at the Pacific Star Hotel;
- Duenas received at least \$12,331 by endorsing checks made payable to cash;
- Another \$71,696 went to unknown payees because the cancelled checks were missing;
- Payments of \$14,600 were made to Foundation members without documentation;
- Ogo's Catering was paid \$54,133 without supporting documentation;
- Manibusan claimed that Teresita Ogo, owner of the catering company, received a \$33,000 loan;
- Teresita Ogo claimed she repaid the amounts by providing catering services for functions that Manibusan scheduled;
- Payments of \$343,692 were made to various vendors without supporting documentation.

We calculated that the range of registration income from the five conferences ranged from a low \$28,000 to a high \$192,000. There was \$107,445 in unidentified deposits. Between estimated registration income and promotional sales, the amount of fees and promotional sales could have ranged between \$128,000 and \$292,000. In summary, \$522,452 in Foundation disbursements were unsubstantiated.

The Guam Police Department authorized the payments of \$88,785 on behalf of the Foundation, the majority of which were Federal Asset Forfeiture funds. These payments further demonstrated that the Foundation was under the auspices of GPD. Even with the payments of federal funds on behalf of the Foundation, at no time did any Chief of Police ever request an accounting of the Foundation activities.

The Bureau of Planning also processed claims on behalf of the Foundation amounting to \$66,021 in federal funds. Bureau of Planning Director Clifford Guzman was also derelict in his oversight responsibility by failing to ask for an accounting of federal funds or summary of activities paid for the Foundation.

Based on our findings we recommend the following:

- The Attorney General determine whether civil or criminal actions are warranted.
- The new Chief of Police determine whether any of the personnel involved in the Safe Streets Foundation should or can be subject to disciplinary action.
- The new Chief review the GPD internal inquiry report to determine why the Department itself did not take action at the time the inquiry revealed many of the irregularities we have disclosed in this report.

We have been advised by the OPA independent consultant who reviewed this report in draft form that the "60 day rule" created by the Civil Service Commission is contrary to anti-fraud policies, which exist in most local government entities. We concur with this observation and recommend that the Guam Legislature consider legislation to abolish any rule or policy that would inhibit the detection and prevention of fraud within the Government of Guam.



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