

**Department of Parks and Recreation
Parks and Recreation Revolving Fund**

**Performance Audit
October 1, 1999 through March 31, 2001**

**OPA Report No. 02-03
May 2002**



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EXECUTIVE SUMMARY

OPA Report No. 02-03 May 2002

Department of Parks & Recreation Revolving Fund October 1, 1999 through March 31, 2001 Performance Audit

The Office of the Public Auditor conducted a performance audit of the Parks and Recreation Revolving Fund of the Department of Parks and Recreation (DPR) for the period of October 1, 1999 through March 31, 2001. The audit's objectives were to evaluate the effectiveness of the Parks and Recreation Revolving Fund's activities and to evaluate whether DPR had complied with the legislative mandates of the Parks and Recreation Revolving Fund. Our audit examined various income generating sources from the Parks and Recreation Divisions. Related systems of accounting and internal controls were reviewed, while revenue transactions, disbursement transactions, and procurement procedures were tested for compliance with laws and regulations.

We found that DPR did not consistently comply with public laws in several areas. We found that the Parks and Recreation Revolving Fund, which was established by Public Law 21-105 had never been implemented by DPR. The Bureau of Budget and Management Research had also cited this noncompliance in a previous audit. In addition, the Recreation Activities Revolving Fund, which should have been closed upon the creation of the Parks and Recreation Revolving Fund, was still in use. The Parks and Recreation Commission has not been approving the expenditures of the various funds as required by law. DPR has not produced audited financial statements for the various funds as required by the law.

We found that the rules and regulations (including the fee schedules) in use by DPR had not gone through the Administrative Adjudication process as required by law. We found that internal controls over the revenue collection systems at DPR were seriously deficient. Among the deficiencies were the failure to account for monies collected, lack of receipts for monies collected, no reconciliation of cash collected to deposits, no segregation of duties, insufficient documentation, and the lack of accounting procedures, which should include reconciling and monitoring. These control deficiencies as well as the lack of a formal revenue collection system rendered most revenue collection points virtually un-auditable.

During the 18-month period we recomputed that at least \$64,741 in permit fees should have been collected but only \$500 was deposited into the Recreation Activities Revolving Fund. There was no monitoring of vendor contracts and as a result, at least \$28,478 should have been collected but only \$930 was deposited into the Recreation Activities Revolving Fund. At the Hagåtña pool there was no verifiable system in place to determine if fees collected from patrons utilizing the pool were being deposited into the Recreation Activities Revolving Fund. There was minimal collection for Youth Center Activities.

Revenues from the Recreation Activities Revolving Fund were \$219,589 at 1997 and dropped to \$85,404 in 2001 while Parks Fund revenues were \$91,613 in 1997 and declined to \$65,181 in 2001.

We did not find any indication that assets were tracked and periodically inventoried to safeguard against loss or theft. DPR has not implemented a fixed asset policy for assets purchased with Parks and Recreation Revolving Fund money. Assets obtained through the Guam Veterans Cemetery Trust Fund were not accounted for and were not utilized for cemetery purposes as required by law.

We also found that DPR had implemented a program in which employees were allowed to use park shelters at no cost. The use of the shelters by employees was not authorized by law or regulation and resulted in a \$10,140 loss of revenues to DPR from October 1999 through July 2001.

DPR also established the practice of granting discounts of at least 50% to Government of Guam agencies for the use of DPR facilities. Of the \$8,410 in discounted fees charged to government agencies only \$690 was actually deposited into the Recreation Activities Revolving Fund. We determined that at least \$44,000 in fees should have been collected during the 18-month audit period.

DPR accepted goods and services in lieu of collecting fees. The goods and services received were not accounted for and resulted in a loss of revenues calculated to be at least \$23,823.

At the Guam Veterans Cemetery, we found that procedures for screening for burial eligibility and efforts to pursue federal reimbursements appeared inadequate.

Recommendations

We recommend that the Department of Administration implement the requirement of law and abolish the Recreation Activities Revolving Fund and create in its place the Parks and Recreation Revolving Fund. In addition, we recommend that the Legislature withdraw the custodianship of the Parks and Recreation Revolving Fund from the Director of Parks and Recreation and transfer control to the Director of Administration until DPR has an internal control system in place and trained personnel to track all activities of the Parks and Recreation Revolving Fund.

We recommend that DPR immediately revise and update the existing rules and regulations to bring them in line with current functions, procedures, and fees collected. DPR should promulgate the new rules and regulations through the Administrative Adjudication process.

We recommend that the Commission immediately approve all fund disbursements and cause the Parks and Recreation Revolving Fund to be annually audited beginning with fiscal year 2001. Further, we recommend that DPR follow their own records management system as described in their Rules and Regulations.

We recommend DPR establish operating procedures and policies for all activities and programs under their jurisdiction and a system of internal controls for all their operations. We recommend that DPR discontinue the following practices until there are rules and regulations approved through the Administrative Adjudication process that allow for them:

1. Providing free parks usage as an employee benefit,
2. Allowing discounted use of facilities to Government of Guam agencies and others, and
3. Exchanging facility usage for goods and services.

We recommend that DPR management initiate the development of written procedures to guide DPR staff in the operation of the Guam Veterans Cemetery. We also agree that the management and maintenance responsibility of the Guam Veterans Cemetery be transferred to the Veteran's Affairs Office.

With the release of the DPR Employees' Association Investigative Report, the DPR had begun to implement some internal control structure. However, much effort is still needed to ensure the accountability of revenue collections, as well as compliance with laws and regulations.

This audit was conducted in accordance with generally accepted government auditing standards. .



Doris Flores Brooks, CPA
Public Auditor



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INTRODUCTION

In May 2001, the Office of the Public Auditor (OPA) initiated a performance audit of the Department of Parks and Recreation Revolving Fund. The Parks and Recreation Revolving Fund had been selected by the OPA for audit because it had received a series of tips that monies, which were intended for the Revolving Fund, were being diverted into an Employees' Association account. The purpose of the performance audit was to determine if the Parks and Recreation Revolving Fund was being operated in compliance with applicable laws and regulations.

A separate report on matters related to the diversion of money intended for the Parks and Recreation Revolving Fund but diverted to the Employees' Association was issued by the OPA in November 2001, OPA Report No 01-03.

This report communicates the results of the remaining portion of the performance audit on compliance with laws and regulations.

JURISDICTION TO AUDIT

The Public Auditor shall, annually, audit or cause to be conducted post audits of all departments, offices, corporations, authorities and agencies in all of the branches of the Government of Guam.¹ The Office of the Public Auditor is responsible for the conduct of program evaluation and review of compliance by various government programs with performance standards established by the Legislature.²

BACKGROUND

The Department of Parks and Recreation (DPR) was established by 5 GCA §3115 and its duties and responsibilities are set out in Chapter 77 of Title 21 of the Guam Code Annotated.

¹ 1 GCA §1908

² 1 GCA §1914

The DPR was divided into three divisions: the Parks Division, the Recreation Division, and the Historic Resources Division and assigned responsibility for the maintenance of the Guam Territorial Park System.

The law also created the Parks and Recreation Commission with the purpose of “appointing, removing, and advising the Director.”

The Director of DPR is appointed by the Parks and Recreation Commission.³ The Director has the responsibility to:

- 1) Establish fees, rules and regulations to accomplish the purpose of the Department;
- 2) Administer the Department through such organizational units which he may establish;
- 3) Manage the Parks Fund pursuant to 21 GCA §77112.

Executive Order 76-30 created the Recreation Activities Revolving Fund. The purpose of the Recreation Activities Revolving Fund was to receive registration fees paid by users of DPR facilities. Disbursements from the Recreation Activities Revolving Fund are limited to costs of implementing recreational sports programs. The Executive Order required DPR to develop rules and regulations necessary to administer the Recreation Activities Revolving Fund. Such rules and regulations were to be approved by the Governor. The Executive Order also required DPR to submit annual financial statements of the Recreation Activities Revolving Fund to the Governor and other agencies as appropriate. Implicit in the Order was the assignment of the custodianship of the Recreation Activities Revolving Fund to the Department of Parks and Recreation.

Another Executive Order, 88-13, authorized DPR to receive and deposit into the Recreation Activities Revolving Fund donations, fees for concessions, billboards, equipment rentals, facility rentals, admission fees, etc. The authorized uses of the Recreation Activities Revolving Fund were expanded to include maintenance and improvement of recreation facilities. The Executive Order assigned responsibility for accounting for the fund to the Department of Administration. The Executive Order also stated that the rules and regulations governing administration of the Recreation Activities Revolving Fund, which were adopted by the Commission on March 20, 1985, were to continue until additional regulations were adopted by the Commission and approved by the Governor.

Public Law 21-105 created another fund, the Parks and Recreation Revolving Fund and intended that the Recreation Activities Revolving Fund be closed and all money in that fund be deposited into the new Parks and Recreation Revolving Fund. All money collected from the “use of park shelters, pavilions and open areas by the public and by park vendors, the use of recreation facilities, sign-up fees,

³ 21 GCA §77105

concession, billboards, equipment rentals, facility rentals, overnight camping fees, and commercial photography fees as established by the Commission” was to be deposited into the newly created Parks and Recreation Revolving Fund.

Public Law 21-105, however, did not remove 21 GCA §77115 of the existing law, which required all fees from concessions to be deposited into the Parks Fund. The significance of this legislative oversight is brought out in subsequent portions of this audit.

The custodianship of the Parks and Recreation Revolving Fund was placed with the Director of the Department of Administration rather than the Director of the Department of Parks and Recreation. The Director of Administration was authorized to “draw monies from the Parks and Recreation Revolving Fund, at the request of the Commission, for the development, improvement or maintenance of the Territorial Park System under the jurisdiction of the Department of Parks and Recreation, 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.”⁴

Public Law 22-29 subsequently changed custodianship of the Parks and Recreation Revolving Fund from the Director of Administration to the Director of Parks and Recreation and placed a requirement on the Commission to submit to the Legislature and the Governor no later than January 31st of each year, annual audited financial statements of the Parks and Recreation Revolving Fund.

In summary, the Executive Orders and the Public Laws pertaining to the Department of Parks and Recreation and the creation of the various funds, 1) Recreation Activities Fund (created by Executive Order 76-30), 2) the Parks Fund (created by 21 GCA §77112), and 3) Parks and Recreation Revolving Fund (created by P.L. 21-105) and custodianship over these funds appear confusing and contradictory.

OBJECTIVES

The objectives of our audit were to evaluate the effectiveness of the Parks and Recreation Revolving Fund’s activities and to evaluate whether the Department of Parks and Recreation had complied with its legislative mandates of the Parks and Recreation Revolving Fund. Our audit was conducted in accordance with generally accepted government auditing standards.

SCOPE AND METHODOLOGY

⁴ 21 GCA § 77114.2 as added by P.L. 21-105:3

The scope of our audit was limited to the Parks and Recreation Revolving Fund during the 18-month period from October 1, 1999, through March 31, 2001. We later learned that the Parks and Recreation Revolving Fund had not been established. In addition, the Recreation Activities Revolving Fund had not been closed in compliance with P.L.21-105. Therefore, our audit scope was expanded to cover the Recreation Activities Revolving Fund and the Parks Fund.

The audit methodology used included gaining an understanding of the sources of revenues deposited into the Department of Parks and Recreation's funds, obtaining source documents related to the collection of revenues, and tracing the transactions into the appropriate fund. Additionally, our audit included non-statistical testing of disbursements and the procurement process to ensure that expenditures were duly authorized, recorded and documented in compliance with the purposes set forth in law of the various funds. Our methodology also included gaining an understanding of DPR's system of internal control.

NOTEWORTHY ACCOMPLISHMENT

During our audit, we were advised that in the latter part of our scope period beginning on January 2001, certain steps were taken by DPR to establish a revenue collection system. While the improvements were positive, they were relatively minor and did not alter our conclusion that the system of internal controls over the collection of revenues in the Department is not sufficient to achieve the objective of compliance with applicable laws and regulations. However, we acknowledge that there were positive actions taking place prior to the initiation of our audit, such as the segregation of the Treasury Agent's duties, the improvement of receipts function within DPR, and improvements on the timeliness of deposits made into the funds.

FOLLOW UP ON PRIOR AUDIT FINDINGS

The Bureau of Budget and Management Research issued a report in September 1994 for the period October 1, 1991, to September 30, 1992. The audit report found:

- (1) Field receipts were not issued in numerical order as issued by the Treasurer's Office;
- (2) Deposits were not made on a daily basis;
- (3) Several receipts were missing, however, copies were located except for receipt no. 815618; and
- (4) The Department is not in compliance with Public Law 21-105, which established the Parks and Recreation Revolving Fund and also mandated that the Recreation Activities Revolving Fund be closed on the law's effective date (May 1992).

The report indicated that three of the findings had been resolved. However, during our audit, we found that all of the above conditions were still in existence. The Bureau of Budget and Management has not issued any subsequent report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Non Compliance with Public Law

Criteria

As discussed in the Background section, P.L. 21-105 established the Parks and Recreation Revolving Fund and the closure of the Recreation Activities Revolving Fund. The law also stated that fees collected from “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...” should be deposited into the Parks and Recreation Revolving Fund.⁵ The law did not address 21 GCA §77115 of the existing statute governing DPR, which also required fees generated from concessions to be deposited into the Parks Fund.

P.L. 21-105 1) named the Director of Administration as the custodian of the Parks and Recreation Revolving Fund rather than the Director of Parks and Recreation, 2) required the approval of expenditures from the Parks and Recreation Revolving Fund by the Parks and Recreation Commission, and 3) required that annual audited financial statements be provided to the Governor and the Legislature no later than January 31 of each year.

P. L. 22-29 later amended the law and transferred the custodianship of the Parks and Recreation Revolving Fund from the Director of Administration to the Director of Parks and Recreation.

Condition

We found that the above requirements have not been implemented as discussed below:

- The Parks and Recreation Revolving Fund was never established.
- The Recreation Activities Revolving Fund was never closed.
- Fees for park shelters and other park related rentals continue to be deposited to the Parks Fund.
- Custodianship of the Parks and Recreation Revolving Fund was never transferred from the Director of Administration to the Director of Parks and Recreation.
- The Parks and Recreation Commission does not approve the expenditures of the various funds.

⁵ 21 GCA § 77114.1

- DPR was unable to provide any audited financial statements for the Parks Fund or the Recreation Activities Revolving Fund or for any other fund. (The funds are included in the General Purpose Financial Statements audit. However, due to their small size in relation to the general fund, detailed testing is frequently not performed on them.)
- DPR was unable to provide any internal financial statements of these funds.

In the audit performed by the Bureau of Budget and Management Research, there was a letter from the Director of Parks and Recreation dated, August 17, 1994, which requested the Department of Administration to change the name of the Recreation Activities Revolving Fund to the Parks and Recreation Revolving Fund, as well as integrate the Parks Fund into the new fund. However, it appears that no action was taken by the Department of Administration in regards to this request.

Cause

It appears that the present Director of Parks and Recreation did not enforce the requirements of P.L. 21-105. We were unable to determine whether the Department of Administration was in receipt of the Department's letter of request. We were also unable to locate any documents to indicate why the Department of Administration did not respond to the August 17, 1994 letter.

Effects

Without annual audited financial statements and expenditure oversight by the Parks and Recreation Commission of the restricted funds, safeguarding of money deposited to the Recreation Activities Revolving Fund and the Parks Fund cannot be achieved. We were unable to quantify the impact of this condition.

As to the noncompliance with the requirement to transfer custodianship of the Parks and Recreation Revolving Fund from the Department of Administration to the Department of Parks and Recreation, we believe that this was in the best interest of accountability over the funds of DPR. DPR does not have the accounting resources or internal control system to retain custodianship and provide accountability of the Parks and Recreation Revolving Fund or any other fund under its jurisdiction at this time.

Recommendations

We recommend that the Department of Administration create the Parks and Recreation Revolving Fund and abolish the Recreation Activities Revolving Fund as required by law.

We recommend that the Legislature amend Public Law 21-105 to retain the custodianship of the Parks and Recreation Revolving Fund with the Department of Administration. Until DPR has the resources to establish and maintain an adequate internal control system with trained personnel to track all revenues collected, custodianship should remain with the Department of Administration.

We also recommend that the Guam Legislature clarify through legislation the inconsistency of §77114.1 and §77115 of Title 21 of the Guam Code Annotated with respect to the disposition of fees collected for concession permits throughout the Guam Territorial Park System.

We recommend that, as required by law, the Parks and Recreation Commission approve all expenditures of DPR.

As required by law, the Commission should cause the Parks and Recreation Revolving Fund to be annually audited as a separate fund. This is in addition to its inclusion into the audit of the General Purpose Financial Statements of the Government of Guam. For reasons of materiality, detailed testing of the funds frequently does not occur.

Finding 2: Internal Control Deficiencies over Revenue Collections

Criteria

Internal control is a major aspect of the management of an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives, and, in doing so, supports performance-based management. Internal control serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. In short, internal control helps government program managers achieve desired results through effective stewardship of public resources.

According to a publication⁶ released by the United States General Accounting Office (GAO), there are five standards for internal control that define the minimum level of quality acceptable for internal control in government. The standards include:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communications
5. Monitoring

The first standard calls for a positive control environment, where integrity and ethical values are maintained and demonstrated by management and staff. Another component of this standard calls for management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Another factor

⁶ GAO/AIMD-00-21.3.1 "Standards for Internal Control in the Federal Government"

that affects the control environment is the manner in which the agency delegates authority and responsibility throughout the organization.

The third standard, control activities, are the policies, procedures, techniques, and mechanisms that enforce management's directives. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. They include activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation. Examples of these include activities such as:

- *Segregation of Duties* : where key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud.
- *Proper Execution of Transactions and Events*: where transaction and other significant events should be authorized and executed only by persons acting within the scope of their authority.
- *Accurate and Timely Recording of Transactions and Events*: where transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.
- *Timeliness of Deposits*: where all monies collected, especially if they are in the form of cash, are deposited on a daily basis.
- *Appropriate Documentation of Transactions*: Where all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

Good record keeping is part of an internal control system. It helps protect assets and ensures that employees adhere to applicable laws and policies and use prescribed procedures. Reliable records are also a source of information that management uses to monitor company operations.⁷

The fifth standard deals with internal controls that are designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, and reconciliations. It should also ensure that the findings of audits and other reviews are promptly resolved.

Management is responsible for establishing and maintaining internal control and for compliance with laws, regulations, contracts, and agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that

⁷ Larson, Wild, and Chiapetta. "Fundamental Accounting Principles". p.365.

transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Conditions

We found that internal controls over the revenue collection systems in the Department of Parks and Recreation were seriously deficient. These deficiencies included the following:

- There were insufficient controls over many of the cash collection points, which includes the collection of security deposits, fees for pool entrees, programs organized by DPR, etc.
- Insufficient documentation and lack of certain accounting procedures rendered the Recreation Activities Revolving Fund and the Parks Fund virtually unauditable.
- There were insufficient controls in place to ensure that all receipts were captured; DPR does not have pre-numbered and pre-printed facility usage permit forms for issue to customers who apply for facility usage. .
- There were no ledgers to track daily cash collected and receipts issued.
- There was no documentation that receipts were independently verified with deposits to the Recreation Activities Revolving Fund or the Parks Fund.
- There was no evidence of reconciliations being performed to ensure deposits were being appropriately credited to the funds.
- The Parks Division and Recreation Division does not have mechanisms in place to control the number of facility permits issued.
- Additionally, we did not see any evidence of controls tracking permits after they are issued and the revenues associated with them. We requested schedules summarizing revenues collected on a monthly basis. While DPR was able to provide us with recreation activity revenue schedules since January 2001, they were unable to provide us with schedules before that date.
- There was insufficient segregation of duties in the Parks Division. For example, we determined through observation and inquiry, that the persons issuing the parks reservation and burial permits would also act as the Treasury Agents and receive monies from permit applicants.
- There was also insufficient segregation of duties in the Recreation Division for a certain period of time. For example, documentary evidence indicated that prior to January 1, 2001, the Recreation Administrator was allowed to issue permits, approve permits, collect permit fees, and waive permit fees. Subsequent to January 1, 2001, the collection of permit fees was segregated and assigned to a Treasury Agent who did not report to the Recreation Administrator.

Specific examples of conditions noted during our audit of Revenue Collections System for the Recreation Activities Revolving Fund are discussed below:

During our review of permits for recreation facility usage, we were unable to trace revenue collections for most of the permits issued to deposits into the Recreation Activities Revolving Fund. The table below reflects our findings with respect to these permits:

Date	Applicant	Fees Recomputed By OPA	Permit Fee Charged	Fee collected as stated in permit	Deposited into the Fund
30-Nov-99	DOE	\$ 1,380.00	\$ 1,000.00	\$ -	No
14-Dec-99	Palace Central Sports	4,160.00	3,200.00	3,200.00	No
21-Dec-99	PMT Guam Corp.	80.00	80.00	80.00	No
24-Jan-00	Guam Rugby Football	4,142.00	0	-	No
24-Jan-00	Sharon Debiasi	40.00	40.00	-	No
26-Jan-00	Armored Car Express	120.00	60.00	-	No
7-Feb-00	Armored Car Express	120.00	120.00	-	No
29-Feb-00	GHRA	22,400.00	21,200.00	-	No
7-Mar-00	GHURA	28.00	20.00	-	No
14-Mar-00	Inafa Mao'lek	100.00	100.00	-	No
28-Mar-00	GTA	5,040.00	1,300.00	-	No
7-Apr-00	Korean Soccer School	1,248.00	0	-	No
27-Apr-00	Nippon Travel Agency	360.00	360.00	-	No
16-May-00	GPD	240.00	100.00	-	No
16-May-00	Miller Bears Football	1,560.00	0	-	No
24-May-00	Guam Big League	270.00	180.00	-	No
31-May-00	Mid Pacific Liquor Dist.	4,950.00	4,200.00	-	No
13-Jun-00	Nippon Travel Agency	1,330.00	2,300.00	-	No
2-Aug-00	Team Iron Ages Softball	28.00	40.00	-	No
10-Aug-00	GHURA	75.00	75.00	-	No
8-Nov-00	Grown for Guam	2,350.00	1,175.00	-	No
7-Dec-00	Guam Plaza Hotel	360.00	540.00	-	No
21-Nov-00	GIAA	2,100.00	2,100.00	-	No
3-Jan-01	GIAA	1,380.00	3,460.00	-	No
10-Jan-01	Hafa Blues Umpires	1,030.00	1,744.00	-	No
23-Jan-01	Yomuri Giants	1,570.00	2,760.00	-	No
24-Jan-01	Continental Stores	180.00	120.00	-	No
16-Mar-01	Mid Pacific Liquor Dist.	8,100.00	0	500.00	Yes

Totals

\$ 64,741.00	\$ 46,274.00
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As the table shows, of \$64,741, which we recomputed as the estimated amount of revenue that should have been collected for facility usage, we were only able to trace \$500 as being deposited into the Recreation Activities Revolving Fund. For a separate discussion of DPR collections supported by receipts from the Department of Parks and Recreation Employees' Association, please refer to OPA Report No. 01-03.

► **Concessionaire**

We were provided with contracts for the six vendor slots available at the Recreation Facilities. We did not find any system in place to monitor and track the revenue collection process to the contract vendors. Additionally we did not find any evidence that there was any monitoring of the vendor contracts for compliance.

In our review of vendor contracts for the various facilities, we were only able to trace a small portion of the revenues generated by those contracts to the revolving fund. Below is a schedule summarizing our analysis:

Vendor Site	Contract Period	Fee Charged	Collections Confirmed
Agana Pool	16-Jan-00 to 31-Dec-00	\$ 3,800.00	\$ -
Paseo Stadium Food #1	12-Feb-01 to 31-Aug-01	3,000.00	-
Guerrero Stadium	16-Jan-00 to 31-Dec-00	8,678.00	-
Paseo Stadium Beverage #4	16-Jan-00 to 31-Aug-01	5,000.00	930.00
Paseo Stadium Beverage #3	16-Jan-00 to 31-Aug-01	5,000.00	-
Paseo Stadium Food #2	16-Jan-00 to 31-Aug-01	3,000.00	-
Totals		\$ 28,478.00	\$ 930.00

Of a total of \$28,478 in fees identified, we were only able to trace \$930 as deposited into the Recreation Activities Revolving Fund.

► **Paseo Stadium**

According to DPR's Rules and Regulations, fees for usage of the Paseo Stadium can be charged by per hour, per game, or by a percentage of gross revenue (should the permittees charge admission fees for their games), whichever is higher.⁸ We attempted to verify the accuracy of DPR's collections of the Paseo Stadium revenue from the Guam Baseball League, however, we did not find reliable game schedules and revenue reports on file. We were also unable to determine from the records available which billing method was used. We noted that \$3,160 was deposited for the period of our audit, however, due to the limited availability of records, we were unable to verify whether or not the records we examined were complete.

⁸ 23 GAR Chapter 6 Recreation Facility Usage Fees

► **RWUMP**

During our review of the Recreation Water Use Management Program (RWUMP) special event permits, we gained an understanding of the permitting process for water related events and activities. A form titled "Application for Approval of Marine Event" originates from the Guam Police Department (GPD). Applicants must obtain a clearance from the Guam Police Department before DPR can approve the Marine Event. DPR processes the application by stamping the form and affixing a single signature. This document becomes the official permit.

We do not believe this system provides adequate control over the permit process and does not sufficiently protect against manipulation or replication. There was no indication on the permit whether or not a fee had been paid. There were no procedures in place to ensure that permit fees collected were actually deposited into the Recreation Activities Revolving Fund.

Collections related to the RWUMP are discussed at length in the prior report issued by the OPA, Report No 01-03. At issue was the diversion of funds received as payment for annual RWUMP permits into an account held by the DPR Employees' Association. The annual permits and permit fees are not discussed in this report. However, we did review the activity of special permits, which were issued by DPR. The findings related to the daily permits are reflected in the following table:

Name of Event	Date of Event	Location	Estimated Collectible	Collections Confirmed
Shell Guam Jetsports Race Series #10	18-Sep-00	East Hagatna Bay	\$ 50.00	\$ -
Umatac Discovery Bay Festivities 2001	25-Feb-01	Umatac Bay	\$ 50.00	\$ -
Shell GU Jetsport Racing Assoc. Points Series	28-May-00	East Hagatna Bay	\$ 50.00	\$ -
2000 GU Jetsport Racing Assoc. Points Series	30-Jan-00	East Hagatna Bay	\$ 50.00	\$ -
Shell GU Jetsport Racing Assoc. Fun Run	4-Jun-00	Agat Marina, Seaplane Ramp, Boat Basin, Seaplane Ramp, Umatac Bay, Merizo Ramp, Agat Marina	\$ 250.00	\$ -
2000 GU Jetsport Racing Assoc. Points Series	13-Feb-00	East Hagatna Bay	\$ 50.00	\$ -
2000 Malesso Fiestan Tasi Jetski Event	12-Nov-00	Merizo Pier	\$ 50.00	\$ -
Shell Guam Jetsports Marine Jamboree	6-Aug-00	East Hagatna Bay	\$ 50.00	\$ -
Umatac Discovery Bay Festivities 2000	5-Mar-00	Umatac Bay	\$ 50.00	\$ -
2000 GU Jetsport Racing Assoc. Points Series	2-Apr-00	East Hagatna Bay	\$ 50.00	\$ -
2000 GU Jetsport Racing Assoc. Points Series	7-May-00	Inarajan Bay	\$ 50.00	\$ -
Olympic Torch Relay	22-May-00	Tumon Bay	\$ 50.00	\$ -

Total Collectible **\$ 800.00**

Due to insufficient documentation and controls over the permits issued, we were unable to assure ourselves that the permits available for review were complete. However, of the permits available for review, which totaled \$800, we were unable

to trace any permits to receipts or deposits into the Recreation Activities Revolving Fund.

► **Hagåtña Pool**

At the Hagåtña Pool, the permits we reviewed indicated the pool lifeguard is the approving authority, the issuer, and the cashier for facility use permits. These duties are incompatible in that there is no segregation of tasks to provide appropriate checks and balances. We were provided with 20 permits, which were issued during the audit period. Since the permit receipts are not numbered and no receipt logbook is maintained, we were unable to confirm whether the set of permits reviewed was complete. We non-statistically selected 5 permits for testing and noted that in each case there was no evidence that a receipt had been issued.

There has been a Rotogate machine in use at the Hagåtña Pool to measure the number of persons entering the pool area each day. The data from this machine had been used as a check against the amount of revenues collected on a daily basis. We were informed that the machine was not working. Inquiries with DPR Personnel indicated that the machine broke down in March 2000. However, during our site visit to the Pool, we were assured that the machine had been working for about a year. We observed that persons were allowed to enter the facility without passing through the machine. We also observed that the pool staff was tracking entry to the pool manually. The staff indicated to us that they were stationed at the gate to accommodate patrons who do not have exact change for the Rotogate.

Thus, during a substantial period of our audit, internal controls were insufficient to ensure that payments were being collected for each patron that utilized the pool. Specifically:

- There was no verifiable system in place to record the amount of money collected for pool usage.
- There were no ledgers to summarize daily cash collections.
- There were no reconciliation of cash collected to receipts issued and deposits into the Recreation Activities Revolving Fund.

► **Youth Center**

During our audit of the Youth Center section, we noted that a Summer Camp program had been offered each year. We noted two instances in which non-government receipts had been issued to registrants. The total amount of the receipts was \$425. We were unable to trace these receipts to the Recreation Activities Revolving Fund. Due to insufficient documentation and internal control over these transactions, we were unable to confirm if this was an isolated incident or a prevalent condition.

NOTE ON TIMELINESS OF CASH DEPOSITS

Our audit also included tests of timeliness of deposits of cash to the Department of Administration. According to the Department of Parks and Recreation Rules and Regulations, the Custodian of the Fund must deposit monies within one (1) working day after collection. We found that prior to February 2000, there were consistent lags between the collection and deposit of monies to the Department of Administration of up to 19 days. Tests of transactions subsequent to February 2000 indicated improvements, where deposits were being made on a timely basis.

Causes

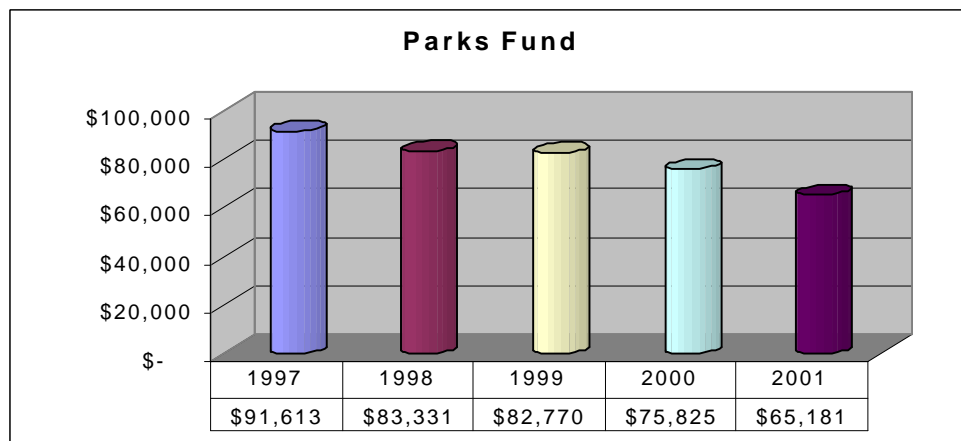
The responsibility for cash collections within the Department of Parks and Recreation has evolved and expanded over the last 30 years. It appears that no person within or outside of DPR took the initiative to establish a system of internal controls to account for the collection, receipt, deposit, and recording of revenues by DPR.

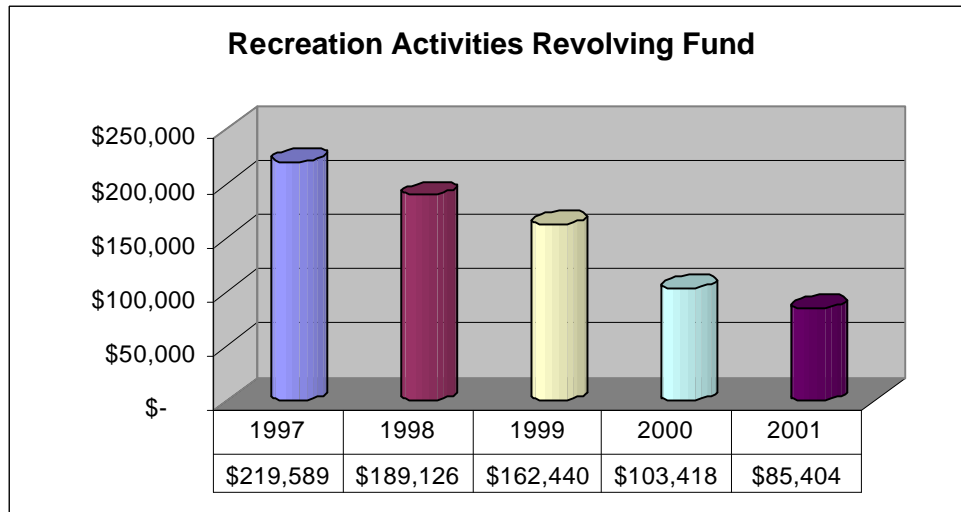
The Chairman of the Parks and Recreation Commission and the DPR Director indicated to us that they were not aware of the requirement for the Fund to be audited annually.

Effects

We were unable to determine the total amount of revenues unaccounted for during our audit period. We did estimate that for the vendor contracts associated with the use of stalls at the Paseo Stadium facility that at least \$27,548 was not deposited into the Recreation Activities Revolving Fund; at least \$45,774 of recreation facility use permits was not collected; little, if any, money was collected at the Hagåtña pool; and there were minimal collections for Youth Center activities.

Over the past four years, DPR revenues have been declining. These graphs summarize the Parks Fund and the Recreation Activities Revolving Fund revenues for fiscal years 1997 through 2001. They depict consistent declines of DPR revenues throughout the years.





Recommendations

We recommend DPR incorporate control numbers in their facility use permits and issue them in numerical sequence and utilize only official government receipts.

We recommend that the duties of the Treasury Agent be separated from the duties of permit approval and issuance. Only the Treasury Agent should be allowed to collect payments. Ideally, the Treasury Agent should report to someone other than the manager responsible for the operations of the division for which funds are collected.

We recommend the Department establish monitoring procedures over all vendor contracts. If vendors breach the terms of their contracts, the Department should cancel their leases. DPR should document such an occurrence in their books.

For the Hagåtña pool, we recommend DPR immediately utilize the Rotogate machine and prevent any form of manual bypass. All admissions should be processed through the Rotogate without exception. As an alternative, as the fee to the public for use of the pool is only 50 cents, DPR may want to consider not charging a fee for admission to the pool or possibly raising the fee. The cost of maintaining staff to monitor these collections appears far greater than the actual fees collected.

Finding 3: Fixed Assets Accountability Deficiencies

Criteria

DPR staff advised us that DPR follows the Department of Administration fixed asset policy.

Further, Guam law requires that “Any money paid by the federal government to the Territory in connection with the use of the cemetery shall be deposited to a special trust fund, for the maintenance of the cemetery. Expenditure from the fund shall be by direction of the Commission, which shall annually account to the Legislature for the use of the fund”.⁹ This law implies that any equipment or fixed asset that is acquired through this Trust Fund is to be used only for the maintenance of the Guam Veterans Cemetery.

Condition

We requested from DPR a fixed asset listing that reflected items purchased through the Recreation Activities Revolving Fund and the Parks Fund. However, we were not provided with any listing of assets. We did not see any indication that assets were tracked and periodically inventoried to safeguard against loss or theft. It appears that the DPR has not implemented a fixed asset policy for assets purchased with Recreation Activities Revolving Fund and the Parks Fund.

During our audit, a matter came to our attention with regard to the Guam Veterans Cemetery Trust Fund (Trust Fund). We found that disbursements totaling \$10,880 were made for the purchase of equipment during the audit period. We also requested a listing of fixed assets purchased with monies from this Trust Fund. However, such a listing was not initially available or provided. The staff subsequently provided a listing of items that had been purchased with Trust Fund money but could not be accounted for and were presumed missing. The value of the unaccounted for or missing items was estimated to be \$7,149. The staff indicated to us that a police report had been filed, however, they were unable to provide us with a copy of the police report. We did not inquire with the Police Department to confirm the presence of a report.

We attempted to verify the existence of two rotary cutters, which had been purchased for \$6,590 with Trust Fund money. However, we were advised that the rotary cutters were not used for the Guam Veterans Cemetery, but were being used by another section of the Parks Division.

DPR currently controls the Guam Veterans Cemetery Trust Fund and has established a separate checking account at a local Bank for the Fund. DPR has the ability to write checks and utilize the Fund's money through the direction of the Commission. However, upon our examination, we found no accounting of Trust Fund transactions other than bank statements. Bank account reconciliations were not being performed. Overall, efforts to manage the Trust Fund seemed inadequate.

Causes

This condition was caused by the lack of implementation of Department of Administration policies and procedures over fixed assets.

⁹ 21 GCA §77113 (c)

It appears that the management and staff of DPR were not aware of the legal requirement for the Guam Veterans Cemetery Trust Fund to be reserved for maintenance of the cemetery and for no other purpose. In addition, DPR management have not established sufficient controls and checks and balances over receipts and disbursements of the Trust Fund.

Effect

Because assets were not properly accounted for and because documentation was insufficient, we were not able to make a determination as to the dollar value of any assets lost or stolen during the period of coverage.

It appears, however, that at least \$7,149 of assets purchased with Trust Fund money is unaccounted for. If the items purchased from the trust fund were being used for other purposes, it may be a violation of the legal requirement for Trust Funds to be utilized to maintain the cemetery.

Recommendations

We recommend that DPR follow Department of Administration procedures governing fixed assets purchased with Parks and Recreation Revolving Fund and Trust Fund money.

We also recommend that assets purchased with federal funds from burial reimbursements be limited for use at the Guam Veterans Cemetery as required by law.

We recommend that a system of internal controls over fixed assets be established. The system should include, at a minimum, the tracking of all items purchased by DPR with periodic inventory counts to ensure the items are accounted for. Any items removed from the listing should contain an explanation as to the disposition of the asset.

Given the absence of controls, we recommend that the accounting of the Guam Veterans Cemetery Trust Fund be transferred from Department of Parks and Recreation to the Veterans Affairs Office.

Finding 4: Non Compliance with Rules and Regulations

Criteria

Executive Order 76-30 created the Recreation Activities Revolving Fund. The Executive Order also required DPR to develop rules and regulations necessary to administer the Recreation Activities Revolving Fund. Such rules and regulations were to be approved by the Governor.

Executive Order 88-13 stated that the rules and regulations governing administration of the Recreation Activities Revolving Fund, which were adopted by the Commission on March 20, 1985 were to continue until additional regulations were adopted by the Commission and approved by the Governor.

There is no provision in the rules and regulations that allow for fees to be waived or discounted even for government agencies. The rules are explicit in the types of payment forms that are authorized in return for the issuance of permits.

Condition

We requested that DPR provide us with the most current version of the rules and regulations. We examined the regulations and fee schedules provided to us, but were unable to confirm if they had been established in conformity with the Administrative Adjudication Act.

We were not able to locate a copy of the rules and regulations adopted by the Commission on March 20, 1985. We contacted the Compiler of Laws to obtain the most current version of the rules and regulations and were provided with a version that appeared to be created in conjunction with Executive Order 76-30. Because we felt that the fee rates contained in that version of the rules and regulations were unreasonably low and outdated, we utilized the rules and regulations submitted by DPR for the performance of this audit.

► Discounts to Government Agencies

Our audit disclosed that DPR had established a practice of granting fee discounts of 50% to Government of Guam agencies for the use of DPR facilities. The following is a list of transactions for which Government of Guam Agencies were given discounts. We have compiled this information from our review of available permit documents.

Date	Applicant	Fees before discount	50% discount	Total Fees Charged	Total Fees Collected	Total Fees Not Collected
13-Dec-99	GIAA	1,280	640	690	690	
30-Nov-99	DOE	2,000	1,000	1,000		1,000
21-Mar-00	DPW	800	400	400		400
21-Mar-00	GPA	1,200	600	600		600
21-Mar-00	GPD	1,600	800	800		800
28-Mar-00	GTA	2,600	1,300	1,300		1,300
10-May-00	GMH	200	100	100		100
18-May-00	GMHEA	120	60	60		60
3-Jan-01	GIAA	6,920	3,460	3,460		3,460

Totals

16,720	8,360	8,410	690	7,720
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Documentation and controls over the issuance of permits were insufficient for us to satisfy ourselves that the permits we reviewed were complete. Therefore, the potential revenue loss due to the allowance of discounts to Government of Guam agencies likely exceeds \$8,360. An additional loss of \$7,720 was due to fees waived, not collected, or not deposited, for a total loss of \$16,080 (net amount of fees before discount and total fees collected). Documentation only supports a collection of \$690. In addition, there were other waivers of fees to other government agencies totaling in excess of \$44,000, based on our recalculations. (See Appendix A for details)

In addition to Government of Guam Agency discounts, we also found that DPR gave a 20% discount to an Umpire group for Block Usage. We inquired from DPR the nature of "Block Usage," but the term and concept for this discount was unfamiliar to the current Acting Recreation Administrator. The discount totaled \$436. There was nothing in the permit documentation to indicate how the discount was determined.

► **Bartering of Goods and Services**

There were indications in the documents we reviewed that permits were issued in return for the receipt of goods or services from businesses. We did not note anything in the permit documents to indicate that an analysis was performed to ensure the value of goods and services were substantially equivalent to the amounts required under the fee schedules. A summary of the permits, which appeared to have been issued in return for goods or services, is shown below:

Date	Applicant	Fees Recomputed By OPA	In lieu of fees	
			Services	Items
22-Nov-99	Continental Golden Jets	900.00		T-Shirts, hats, other promo items for youth tournament/ fundraisers
24-Nov-99	AOLG	1,400.00		2 Christmas trees
9-Dec-99	GHRA	2,400.00		Riding Mower
19-Jan-00	DOC	160.00	Ground Service help	
20-Jan-00	Shin II High School Baseball Team	300.00	Ground Service help	
2-Feb-00	GTA	357.00	Phone Repairs	
4-Feb-00	Guam Varsity Football	504.00	Services for facilities	
4-Feb-00	National Dededo Baseball Team	210.00	Maintenance Services	
16-Feb-00	McDonalds	100.00	Assistance with DPR Activities	

Date	Applicant	Fees Recomputed By OPA	In lieu of fees	
			Services	Items
20-Apr-00	Continental Micronesia	1,680.00		2 Airline tickets for DPREA
24-May-00	Guam Baseball Federation	480.00	Due to incidence on May 7, 2000; returning favor	
11-Jul-00	GU Army National Guard	3,600.00	Repair & Maintenance of Tiyan facilities	
16-Jan-01	Guahan Official Association	4,700.00	Services for Tiyan & Youth Programs	
18-Jan-01	Guam Caps Softball Association	4,512.00	Services for Youth Programs	
30-Jan-01	Guam Hotel and Restaurant Assoc.	2,520.00	GHRA be a sponsor for MIBT	

Totals

23,823.00

We did not perform an analysis of the goods and services received to determine an estimate of the value of the above listing. We also were unable to confirm that the DPR had actually received any of the goods and services. There were indications in the documents we examined that the two airline tickets from Continental Micronesia were utilized in conjunction with the activities of the Department of Parks and Recreation Employees' Association – see OPA Report No. 01-03.

► **Security Deposits**

The DPR rules and regulations (which were being used by DPR, but had not been approved through the Administrative Adjudication Act) authorized the Parks Administrator to impose security deposits for cleaning DPR facilities after they have been used for an activity. DPR began the collection of security deposits to ensure that the facility is left clean by the permittee, to prevent permit conditions from being violated, and to pay for damages. However, we found that the collection of security deposits had been inconsistent in method and amount. We noted instances where un-cashed checks for security deposits were stapled to documents in the DPR files. Further, the handling of refunds related to the deposits was not performed in a uniform manner.

In one instance, DPR received a deposit from a local business for the use of a DPR recreation facility. There was a memorandum in the file indicating that the facility had not been properly restored at the end of the usage period and the user forfeits the security deposit. It was noted in the permit that the security deposit was \$500, however, we were unable to trace such an amount to the Recreation

Activities Revolving Fund. We did locate a deposit related to the transaction in the amount of \$250 that was made to the Recreation Activities Revolving Fund eight months after the permit was issued.

► **Summer Camp**

The Youth Center Summer Camp program was a project DPR established for the benefit of Guam's youth. Participants were charged fees to offset the cost of implementing the program. However, we found no policies and procedures to govern the program and no internal controls to account for the income generated by the events.

► **DPR Employee Benefits**

On October 1, 1999, the DPR Director issued a memorandum that declared an employee benefit allowing DPR employees to utilize \$100 worth of park shelters and pavilion reservations per quarter. The memorandum stated the benefit was needed to remedy the "resultant lack of pay adjustments" over several years. We were not able to identify any law or regulation which authorized such a benefit to be established nor was the Director able to identify on what basis he had the authority. According to the current Director of Parks and Recreation, he believed the benefits were reasonable and therefore, made no changes to the policy that was implemented by the former Director.

During our audit, we obtained a schedule, which is maintained by DPR to track the accrual of this benefit. Each employee is allowed \$100 worth of park reservation permits per quarter. Each time a facility is utilized by an employee, the usage is subtracted from the employee's account. Any amounts remaining from the \$100 are carried over to the next quarter. Thus, employees are able to accumulate hundreds of dollars worth of park reservation permits.

We reviewed the available documentation and estimated the value of the benefits expended during the period of October 1999 through July 2001. Our calculation totaled \$10,140. This represents a loss to the Parks Fund, as the facilities would have been available for permitting to the community at large had DPR employees not utilized them.

► **Parks Reservation and Refund**

We were able to obtain written standard operating procedures for the Parks Division dealing with the handling of park reservations. Upon review of the procedures, we identified two deficiencies:

- 1) The policy does not include a segregation of duties for cash collection, permit issuance, and cash deposits.

- 2) The policy does not sufficiently address the process of refunding payments in the event of cancellation of facility usage.

Causes

It appears that there is no person at DPR who is tasked with the maintenance and tracking of the DPR's rules and regulations. We would have expected to find that an administrative staff employee had been assigned to maintain a current copy of the rules and regulations in a file with all relevant correspondence. Additionally, there was no indication of a periodic review of the rules and regulations by the Director or the Commission to determine if modifications are necessary.

The discounts to government agencies, the bartering of goods and services in return for facility usage, and the benefit for employees to utilize up to \$100 per quarter facility usage was initiated by DPR management without a sufficient understanding of the scope of their authority.

The problem with security deposits appears to be caused by the lack of procedures with proper internal controls over that activity to ensure that money collected for security deposits are collected and safeguarded. Internal control deficiencies include lack of monitoring, receipt issuance, and record keeping.

Effects

Due to insufficient documentation, we were unable to accurately determine the dollar amount of total potential revenue loss due to bartering of goods and services, summer camp programs, and employee usage.

The effect of allowing discounts for Government of Guam agencies for the utilization of DPR facilities was at least \$8,360 and up to \$16,000 in possible lost revenue and the effect of allowing discounts for non-government groups was at least \$436 in lost revenue. The potential lost revenue attributable to the provision of facility usage as an employee benefit was estimated to be at least \$10,140 during the 18 months audit period.

Our review of the available documentation for the 2000 Youth Center Summer Camp registrations and field receipts revealed that at least \$3,900 of revenues might not have been collected. This estimated amount was determined by gathering all the summer camp registrations, tracing them to field receipts, recalculating the fees using a standard per-session fee, and finally, comparing the recalculation to the actual collections. Our calculation was based on a fee of \$150 per session, which appeared to be the average fee collected. We were unable to identify an officially established fee for the summer camp.

Recommendations

We recommend that DPR immediately revise and update the existing rules and regulations to bring them in line with current functions, procedures, and fees

collected. DPR should ensure that the new rules and regulations are approved through the Administrative Adjudication Act (AAA) process.

We recommend that DPR discontinue the policy of providing facility usage to DPR employees as an employee benefit, allowing discounted use of the facilities to Government of Guam agencies and others, and the exchange of facility usage for goods and services until there are rules and regulations approved through the AAA process which allow those practices. We further recommend that the employee benefit accrual schedule be expunged.

We recommend that procedures be adopted to govern the collection and control of security deposits. Such procedures should describe the conditions in which a security deposit would be refunded and/or forfeited and whether any interest should be credited to the account of the customer. Authorization for the collection of security deposits may also have to be obtained through the AAA process.

We recommend that DPR utilize the services of the accounting staff of the Department of Administration to establish procedures with appropriate controls for the collection and deposit of all fees collected from DPR customers.

We also recommend that DPR provide monthly reports on the activities of the Parks and Recreation Revolving Fund to the Parks and Recreation Commission for their review.

Finding 5: Procurement Without Obtaining Quotations

Criteria

According to GSA Procurement Regulations, “the head of a Purchasing Agency shall adopt operational procedures for making small purchases of less than \$500. Such operational procedures shall provide for obtaining adequate and reasonable competition and for making records to properly account for funds and to facilitate auditing of the Purchasing Agency.”¹⁰

On June 1, 1995, the Chief Procurement Officer issued General Services Agency Procedural Directive 95-02. The Directive requires three telephonic or written quotes must be obtained for purchases from \$250 to \$500.

If the supply, service, or construction item being procured is available from only one business, the sole source procurement method set forth in Section 3-205 Sole Source Procurement according to GSA regulations shall be used even if the procurement is a small purchase.¹¹

¹⁰ GSA 3 – 204.05

¹¹ GSA 3 – 204.02.4

Condition

We requested but were not provided with procedures for DPR's small purchasing activities.

We non-statistically selected 20 procurement transactions for testing. Our testing indicated that four of the transactions did not include evidence of competitive bidding i.e., no documentation that three quotes were obtained. Alternatively, there was no explanation in the procurement files to explain why obtaining quotes from vendors was not practical.

Another four purchase orders appeared to be open orders for small purchases with various vendors on island. We were unable to find any documentation and procedures from DPR governing small purchases. We did find documents authorizing DPR to have an open order/blanket purchase agreement for the year 2000. However, we found no authorization for the year 2001.

Causes

It appears that DPR staff has not received adequate training in small procurement processes and requirements. Additionally, it appears there is inadequate management supervision and oversight over the procurement process.

Effect

DPR may not have purchased items under the above mentioned purchase orders at the most optimal price, however, we do not believe the purchase orders we reviewed were indicative of material overpayments.

Recommendations

We recommend that DPR develop procedures for small purchase transactions and such procedures be approved by the Commission. We further recommend that DPR seek approval from the Chief Procurement Officer to establish "Blanket Purchase Agreements" with various vendors for their hardware and supply requirements.

We recommend that DPR staff receive training in the proper application of the GSA Procurement Regulations.

We recommend that DPR management establish control procedures to ensure that there is adequate monitoring of procurement activities.

Finding 6: Inaccurate or Unavailable Internal Reports

Criteria

One of the purposes of internal reports is to help management monitor the activities of the Department. Reviewing reports, statements, reconciliations, and other information by management is an important control activity; management should review such information for consistency and reasonableness.

Reviews of performance provide a basis for detecting problems. Management should compare information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions, which require follow-up.

Conditions

We requested internal reports, financial or activity, from the Recreation Division. No internal reports were generated for the activities of the Recreation Division.

We also requested internal reports from the Parks Division. They were able to provide a revenue report for FY 2000. It outlines the total number of permits issued for Parks reservations and Burials and the revenues generated from them.

We performed a sampling test on the revenues from burials of Vicente Limitiaco Cemetery, a section of the Parks Division. The objective was to validate the accuracy of the "total collected" amount as stated on their financial report. Our non-statistically selected sample included totals for the months of October, November, January, March, May, and June. Our test revealed that the balances for October, January, and June were not accurate. The following schedule summarizes the discrepancies.

	Annual Report Balance	Verified Balance	Variance	Conclusion
October	2,000.00	1,950.00	50.00	Overstated
January	2,900.00	2,700.00	200.00	Overstated
June	1,550.00	1,700.00	(150.00)	Understated

The total for both October and January were overstated, while the total for June was understated. We attribute the overstatement of \$50 for the month of October to an error in data entry. Field receipts counted for the month of January totaled to 15, however, only 14 were actually issued for burial payments. This explains the overstatement of \$200. The total for the month of June was due to a miscount of field receipts. The report stated that 8 receipts were issued, when in fact 9 existed. We did not find any material discrepancies with regards to revenues deposited into the Taguag Memorial Fund. The Taguag Memorial Fund is a special revenue fund

of DPR composed of cemetery fees generated from the Vicente Limitiaco Cemetery.

We tested the completeness of the Vicente Limitiaco Cemetery permits by non-statistically selecting 50 grave sites at the cemetery and tracing them to the permits. Of the 50 sites, we found no unexplained discrepancies.

Upon our review of the burial permits, we found that several permits had the same burial assignments as stated in the permits. This would mean that several burials would have to have been done on the same plot. The problem appeared to be related to clerical errors and not indicative of a systematic failure.

We also performed sampling tests to verify if the fees generated by the burial permits were collected and deposited into the Taguag Memorial Fund. Fifty permits were selected non-statistically. We traced the permits to the field receipts and traced the field receipts to the Taguag Memorial Fund deposits. Our tests indicated that 3 permits were missing field receipts and another 3 permits indicated fees had been waived. The fee for an adult permit was \$200, while an infant permit was \$150. We found no laws authorizing the waiver of burial fees.

Cause

The general cause for these conditions can be attributed to no regular monitoring, lack of internal reporting, and insufficient segregation of duties.

Effects

Inaccurate reports can hamper effective management oversight of DPR funds.

As much as \$500 in burial fee revenue may have been lost as the result of the waived fees.

Recommendations

We recommend that DPR reconcile their records with statements from the Department of Administration, the agency that handles the accounting of all funds.

We recommend that DPR separate the duties of the Treasury Agent from duties of burial permits issuance and the recording of those transactions.

We recommend that DPR initiate a supervisory review of the clerical accuracy of burial permits.

We recommend that DPR discontinue the practice of waiving burial permit fees.

Finding 7: Guam Veterans Cemetery – Federal Reimbursements

Criteria

The Department of Parks and Recreation is required to “control, manage, develop and maintain the Veterans Cemetery in accordance with applicable federal regulations.”¹² Federal law allows reimbursements of interment costs of veterans who either received a disability related discharge or served during any war and are buried at a cemetery that meets the national cemetery criteria.¹³

Condition

In the course of our audit, a matter came to our attention with regard to burial reimbursements of veterans buried in the Guam Veterans Cemetery.

DPR receives a reimbursement of \$150 from the federal government for every eligible veteran buried in the Guam Veterans Cemetery who meets the federal criteria. Based on the documents we examined, it appeared that out of 108 persons buried from June 1999 to December 2000, approximately 27% of the persons buried in the Guam Veterans Cemetery did not receive federal reimbursement. In most of these instances, it appeared that the veteran did not qualify for a burial reimbursement. However, when we brought this matter to the attention of the Director, he indicated that he believed some of the veterans were indeed eligible for reimbursement and will be the basis of an appeal to the Department of Veterans Affairs. However, an appeal process had not been initiated during the time of our audit. Thus, it appears that DPR does not have a mechanism or reporting process in place to monitor that it has received all eligible reimbursements. Further, DPR does not have written policies or procedures to determine reimbursement eligibility of veterans to be buried at the Guam Veterans Cemetery.

Cause

The DPR relies on a handbook provided by the Department of Veterans Affairs to guide the administration of the cemetery. The DPR has not developed written procedures specific to the Guam Veterans Cemetery, which would provide guidance on eligibility screening as well as following up on reimbursement applications that are denied.

Effect

The DPR may not have received all of the federal reimbursements to which it is entitled for eligible persons buried at the Guam Veterans Cemetery.

Recommendation

We recommend that DPR management initiate the development of written procedures to guide DPR staff in the operation of the Guam Veterans Cemetery.

¹² 21 GCA §77113 (c)

¹³ 38 USC §2303 (b)

At a minimum, the document should include eligibility screening procedures, procedures for determining whether the DPR is due a burial reimbursement, steps for appealing the denial of a burial reimbursement application, and a schedule for cemetery maintenance. The document should include references to the federal regulations upon which the procedures are based.

MANAGEMENT RESPONSE

The draft report was provided to the Director of Parks and Recreation and the Commission Chairman. Their letter of response is attached as Appendix B of this report. In general, the Department concurred with the findings of the report. In some instances, the Department indicated steps had already been taken to rectify the conditions. In other instances, the Department pledged to correct the situation. However, in the response to Finding 7, the Department disagreed with the finding. As a result of subsequent research by OPA, we modified our finding. We remain concerned that there are inadequate policies and procedures in place governing the activities of the Guam Veterans Cemetery.

OTHER MATTERS

During the course of this audit, we learned that a bill proposing to transfer the Guam Veterans Cemetery to the Office of Veterans Affairs is being considered.¹⁴ Based on the lack of controls and oversight at DPR we support the transfer of the Guam Veterans Cemetery to the Veteran's Affairs Office.

Though this audit did not include the DPR's Historic Resource Division, Public Law 25-69, transferred the Historic Resource Division's responsibility to a non-profit public corporation, the Department of Chamorro Affairs. Ultimately, the Historic Resource Division would have been abolished. This, however, did not occur for soon after Public Law 25-69 became effective, Public Law 25-72 repealed this mandate. We understand that there are now new efforts to again transfer the Historic Resource Division's responsibilities to another agency.

¹⁴ As of May 31, 2002, Bill 256 which proposes the transfer of the Guam Veterans Cemetery had been passed by the Legislature and is pending the Governor's approval.

LIMITATIONS OF THE REPORT

The period covered by our report was the 18-month period from October 1, 1999, through March 31, 2001. Our work was performed in accordance with generally accepted government auditing standards.

This report has been released to the Governor of Guam, the Speaker and Members of the 26th Guam Legislature, the Director of the Department of Parks and Recreation, the Commission of the Department of Parks and Recreation, the Director of Administration, the Director of the Bureau of Budget and Management Research, and the Attorney General of Guam. This report is a matter of public record and its distribution is not limited.

The management and staff of the Department of Parks and Recreation and the Department of Administration contributed information that materially assisted the OPA in completing its work. The cooperation of these individuals and agencies is gratefully acknowledged.

OFFICE OF THE PUBLIC AUDITOR



Doris Flores Brooks, CPA
Public Auditor

OPA Report No. 02-03
May 2002

Appendix A – LOSS DUE TO WAIVER

DPR had waived the fees of various permit applicants for the usage of recreation facilities. We could not find any laws or provisions in any authoritative documents that allow DPR or the Director to waive fees. In fact, the rules and regulations¹⁵ that DPR had adopted explicitly stated, “No Recreation Division fees can be waived.” The only applicants truly exempted from recreation facility permit fees are bonafide youth sports groups as mandated by Public Law 19-48. Below is a schedule that documents the many recreation permits waived of fees.

Date	Applicant	Fees Recomputed by OPA (Loss Due to Waiver)
4-Nov-99	PDN Softball Team	\$ 40.00
4-Nov-99	Underwater World	30.00
22-Nov-99	Continental Golden Jets	900.00
9-Dec-99	GHRA	2,400.00
12-Jan-00	Dee Blas	40.00
12-Jan-00	DOC	42.00
19-Jan-00	DOC	160.00
2-Feb-00	GTA	357.00
4-Feb-00	Guam Varsity Football	504.00
4-Feb-00	National Dededo Baseball Team	210.00
16-Feb-00	McDonalds	100.00
23-Feb-00	Public Defender Service	1,960.00
3-Mar-00	GU Army Nat. Guard	42.00
14-Mar-00	DPHSS	98.00
14-Mar-00	Haggan Volleyball Assoc	400.00
21-Mar-00	DPW	526.00
21-Mar-00	GPA	1,436.00
21-Mar-00	GPD	1,480.00
24-Mar-00	Census 2000	225.00
7-Apr-00	Census 2000	175.00
20-Apr-00	Continental Micronesia	1,680.00
20-Apr-00	Couples for Christ	500.00
26-Apr-00	Ambros Inc.	1,300.00
10-May-00	GMH	324.00
18-May-00	GMHEA	60.00
24-May-00	Guam Baseball Federation	480.00
30-Jun-00	Public Defender Service	2,310.00
11-Jul-00	GU Army Nat. Guard	3,600.00
8-Aug-00	St. Paul	168.00
11-Aug-00	Superior Court	912.00
21-Aug-00	GHURA	75.00
28-Aug-00	Guam Veteran's Coed Team	632.00

¹⁵ This rules and regulations later deemed invalid.

Date	Applicant	Recomputed Fees (Loss Due to Waiver)
28-Aug-00	PMT Guam Corp.	410.00
30-Aug-00	Guam Coastal Clean Up	700.00
19-Sep-00	GU Army Nat. Guard	84.00
19-Sep-00	Kids Against Drug Crimes	4,382.00
28-Sep-00	GU Customs and Quarantine	1,072.00
5-Oct-00	Primos Softball Team	1,110.00
10-Oct-00	Para Todu Rugby Club	150.00
27-Oct-00	Claudia Acfalle -- GSA	112.00
6-Nov-00	Guam Nat. Baseball Team	1,425.00
29-Nov-00	McDonalds	200.00
12-Dec-00	Department of Corrections	40.00
10-Jan-01	Public Health & Social Serv.	75.00
16-Jan-01	Guahan Official Association	4,700.00
18-Jan-01	Guam Caps Softball Assoc.	4,512.00
30-Jan-01	GHRA	2,520.00
9-Feb-01	Midwife Video Project	60.00

Total

\$ 44,718.00

Appendix B - RESPONSES



Carl T.C. Gutierrez
Governor

Madeleine Z. Bordallo
Lt. Governor

DEPARTMENT of PARKS and RECREATION
DIPATTAMENTON PLASET YAN DIBUETSION
GOVERNMENT OF GUAM

Post Office Box 2950
Hagatna, Guam 96932
Telephone: (671) 475-6296/7
Facsimile: (671) 477-0997



Dominic G. Muna
Director

Francisco A. Acfalle
Deputy Director

May 17, 2002

Mrs. Doris Flores Brooks
Public Auditor
Office of the Public Auditor
1208 East Sunset Boulevard
Tiyan, Guam

Dear Mrs Brooks:

Thank you for your letter dated April 29, 2002 with an attached draft copy of OPA Report No. 02-03, Department of Parks and Recreation's Revolving Fund Audit, for the period October 01, 1999 through March 31, 2001.

Transmitted herewith is Department of Parks and Recreation's responses to the Report Findings #1 through #7.


Should you have any questions or comments, please call my office at 475-6296/7 or 477-8280.

Sincerely,


DOMINIC G. MUNA
Director

Attachments

ACKNOWLEDGMENT OF RECEIPT:

By: 
(Print Name and Signature)

Date: 5/17/02 Time: _____

DEPARTMENT OF PARKS AND RECREATION
REVOLVING FUND AUDIT REPORT NO. 02-03
OCTOBER 01, 1999 THROUGH MARCH 31, 2001

RESPONSES TO FINDINGS #1 THROUGH #7

Response To Finding #1: Noncompliance with Public Law (P.L.)

The Department of Parks and Recreation (Department) also recommends that the Department of Administration create the Parks and Recreation Revolving Fund and abolish the Recreation Activities Revolving Fund.

The Department also recommends an amendment to P.L. 21-105 for Department of Administration to retain the custodianship until the Department has an adequate internal control system with fully trained personnel in place.

The Department recommends the Parks and Recreation Commission approve expenditures over \$5,000 and the Director of Department of Parks and Recreation to approve expenditures under \$5,000, and for the Revolving Fund to be audited annually.

Response to Finding #2: Lack of Internal Controls

The Department will ensure that the duties of the Treasury Agent be separated from the duties of permit approval and issuance.

As for collection of payments only fully trained Treasury Agents will be allowed to collect payments and issue numerical sequence official government receipts. Treasury Agents will only operate from the Director's Administrative Services Unit under the Director's office of Parks and Recreation.

The Department has incorporated control numbers for facility use permits and are issued in numerical sequence. All fees whether it be from Recreation Activities Revolving Fund or Parks Fund, are charged as per the most recent adjudicated fee chart and reflect the following information:

- ◆ Date of Transaction
- ◆ Applicant
- ◆ Field Receipt Control Number
- ◆ Fee Collected

- ◆ Subject of Payment (Facility/Activity Permit)
- ◆ Service
- ◆ Facility Usage
- ◆ Park Permit
- ◆ Type of Payment (cash or check)
- ◆ Parks and Recreation section/category (section sub-account)
- ◆ Financial Control Number (division/section number)
- ◆ Items Deposit Date
- ◆ Treasury Agent Initial and Date

On all Facility/Activity Permits a box will be provided for the Treasury Agents to write:

- ◆ Field Receipt Control Number
- ◆ Date and Financial Control Number.

Financial Control Number will be issued by the Treasury Agents when payments are made and posted on the following documents:

- ◆ Facility/Activity
- ◆ Field Receipt
- ◆ Applicant/Payee Check
- ◆ Daily Summary Sheet

The Department will establish monitoring procedures over ALL vendor contracts and cancel & document breached contracts if any, in a log book.

Response to Finding #3: Lack of Fixed Assets Accountability

The Department currently follows the Department of Administration's fixed asset policy.

The Department will ensure a system of internal control over assets is established. This will track all purchased items with periodic inventory counts to ensure items purchased are accounted for.

Each item will be rated as to its operational capability as: *NEW, EXCELLENT, GOOD, UNDER REPAIR OR SURPLUS*. Section Administrators are to be responsible for their monthly fixed assets updates and provide a copy to the Director of Parks and Recreation. Any item(s) removed will be documented, logged in a book and reported in writing to the Director of Parks and Recreation for further disposition.

Response to Finding #4: Lack of Policies and Procedures

The Department agrees that the existing Rules and Regulations be revised, updated and approved through the Administrative Adjudication Act (AAA) process to be in line with the current functions, of ALL procedures, ALL fees/payments collected, ALL waiver of fees, if approved for the entire Department. It is also agreed that monthly reports of the Parks and Recreation Revolving Fund be reviewed by the Department of Parks and Recreation Commission.

As for the Department employees park facility usage(s) as a benefit, it was expunged October 9, 2001 due to economic crisis the government is faced with (*copy of memorandum attached*).

Response to Finding #5: Procurement without obtaining Quotations

The Department's response to Finding #4 will also cover Finding #5, procedures to procure small purchase transactions up to \$5,000 to be approved by the Director of Parks and Recreation and purchases more than \$5,000 to be approved by Parks and Recreation Commission.

The Department agrees that staffers receive training in the proper application of the GSA Procurement Regulations.

The Department will further ensure that there is adequate monitoring of procurement activities.

Response to Finding #6: Misstated Parks Division Operational and Financial Reports

Parks and Recreation will assure to reconcile records with statements from Department of Administration.

A supervisory review of all burial permits will be initiated, and as for the practice of waiving burial permit fees this matter will also be included in the new rules and regulations of the Department.

Response to Finding #7: Guam Veterans Cemetery

Parks and Recreation have researched files of the 27 eligible veterans buried at Guam Veterans Cemetery and found that all 27 veterans met the minimal requirements to be buried at Guam Veterans Cemetery. So therefore, the Department recommends that this finding be deleted from Audit Report No. 02-03.

As for revision of applicant screening procedures for Burials at Guam Veterans Cemetery, Finding #4 will also cover Finding #7.

MEMORANDUM

To: All Employees, Department of Parks and Recreation

From: Parks Administrator

Subject: Employee's Benefit: Free Use of Park and Facility

Due to economic crises the government is faced with, Parks Division is taking every conservative effort to help stabilize the island's economy.

Please be advised that effective immediately, *Parks Permit Section will not issue free reservations for the use of park facilities to all DPR employees.*

Thank you for your understanding and continued support. Should you need to discuss this matter further, please feel free to see me.

ORIGINAL SIGNED BY,

JOHN R. TAIMANGLO
Acting

cc: Director
Administrative Services Officer

JRT:jos
October 9, 2001

Parks Chrono
Originator