



## **EXECUTIVE SUMMARY**

OPA Report No. 02-03 May 2002

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

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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. .



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