



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

**Guam Police Department's Records and Identification Section Revenue Collections
Report No. 08-08, October 2008**

The Office of the Public Auditor (OPA) has completed its evaluation of funds collected by the Guam Police Department's (GPD) Records and Identification (ID) Section from October 1, 2006 through July 31, 2008. This evaluation was conducted in response to a request from the Chief of Police after a concern was raised regarding the cash collection at the Records and ID Section. The OPA agreed to provide non-audit services in the form of reconciling the cash receipts of all transactions to deposits made to the Treasurer of Guam (TOG), to assist the GPD in determining the extent to which funds may have not been deposited.

In April 2008 GPD's Criminal Investigations Section conducted an internal investigation of the Records & ID Section after torn cash receipts were discovered in an employee's trash bin. The investigation found that approximately \$1,913 in collections for May 2008 were missing. The suspected employee was arrested in August 2008 for theft of property held in trust, tampering with records, and official misconduct. The employee was subsequently terminated in September 2008.

Evidence of Misappropriation of Funds

Based on the records available for our review, we determined that, from October 1, 2007 through July 31, 2008, \$29,747 of documented receipts were not reported to TOG and deposited. We were not able to ascertain the full extent of receipted funds not deposited to the TOG because records for the entire fiscal year 2007 (October 1, 2006 through September 30, 2007) could not be located by GPD. We also found that over 6,100 sequentially numbered transaction receipts were missing; they were either torn or cut from register tapes and not included with the daily deposit records.

There is a risk in which money could have been misappropriated by employees receiving cash and not entering the transactions in the cash register and/or issuing a receipt. However, our review was not designed to identify such instances and was limited to determine the amounts recorded in receipts, but not deposited.

The Records and ID Section's cash register has a built-in, non-resettable control feature that prints out activity summary reports, grand total and net grand total amounts, for transactions made since the machine's inception. For example, on October 1, 2007, the cash register listed a net grand total of \$270,864. We subtracted the previous work day's net grand total of \$268,074 and the October 1, 2007 net sales total¹ of \$490 and the expected the day's deposit to be \$2,300. However, only \$1,997 was actually reported to TOG and deposited, or a variance of \$303. See table for illustration.

¹ The cash register is closed twice a day. At close-out, the register prints out a net sales report, then erases the data (but not the running net grand total). The afternoon transactions are then re-entered, thus overstating the running grand total. The net sales total for the afternoon close-out was subtracted in order to remove the duplication/overstatement.

Transaction	Amount
Monday, 10/01/07 PM Net Grand Total	\$270,864
Less Friday, 09/28/07 PM Net Grand Total	<u>268,074</u>
Difference	\$2,790
Less 10/01/07 PM Net Sales	<u>490</u>
What should be deposited on 10/01/07	\$2,300
Less Actual Deposit per 10/01/07 Depositor's Report	<u>1,997</u>
Variance	<u>\$ 303</u>

We identified five employees who prepared the daily depositor's report, and found notable discrepancies only on the reports prepared by the terminated employee. Deposit variances ranged from \$1 to \$1,761. It appears that the former employee may have deposited amounts in an attempt to match the cash register tapes, which accompany the daily deposit records.

Internal Control Deficiencies

We found that the Administration Division Chief and the Administration Operations Chief did not provide sufficient review, oversight, and monitoring of the Records and ID Section. With no oversight, the terminated employee overrode the collection, reconciliation, deposit, and record keeping functions, and even arbitrarily removed GPD from the Department of Administration's Point-of-Sale (POS) system in 2006. The lack of internal controls created an opportunity for the theft of government funds. The potential for theft at the Records and ID Section was further exacerbated by the practice of utilizing a stand alone cash register which all employees, including temporarily-assigned police cadets, had access to make transactions.

Our recommendation to the Police Chief to reconnect GPD to DOA's POS system was carried out and GPD was back online by September 24, 2008. We applaud GPD for expeditiously implementing the recommendation.

We recommend that the Chief of Police direct the Administration Division Chief and Operations Chief to provide review, oversight, and monitoring of the Records and ID Section on a regular basis. We also recommend that the Police Chief direct the Administration Division Chief and Operations Chief to review the internal control procedures and checklist to update and modify the existing GPD Records and ID Section's standard operating procedures. OPA is willing to assist GPD by providing an overview of the importance of internal controls.

In addition, we recommend the Treasurer of Guam determine the total number of registers assigned to the POS system and verify if each are submitting deposits on a regular basis.

We will refer this report to the Office of the Attorney General for their disposition.



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