

**Department of Parks and Recreation
Unresolved Audit Recommendations**

**Follow-Up Review
July 1, 2001 through December 31, 2005**

**OPA Report No. 06-07
July 2006**



OFFICE OF THE PUBLIC AUDITOR

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EXECUTIVE SUMMARY

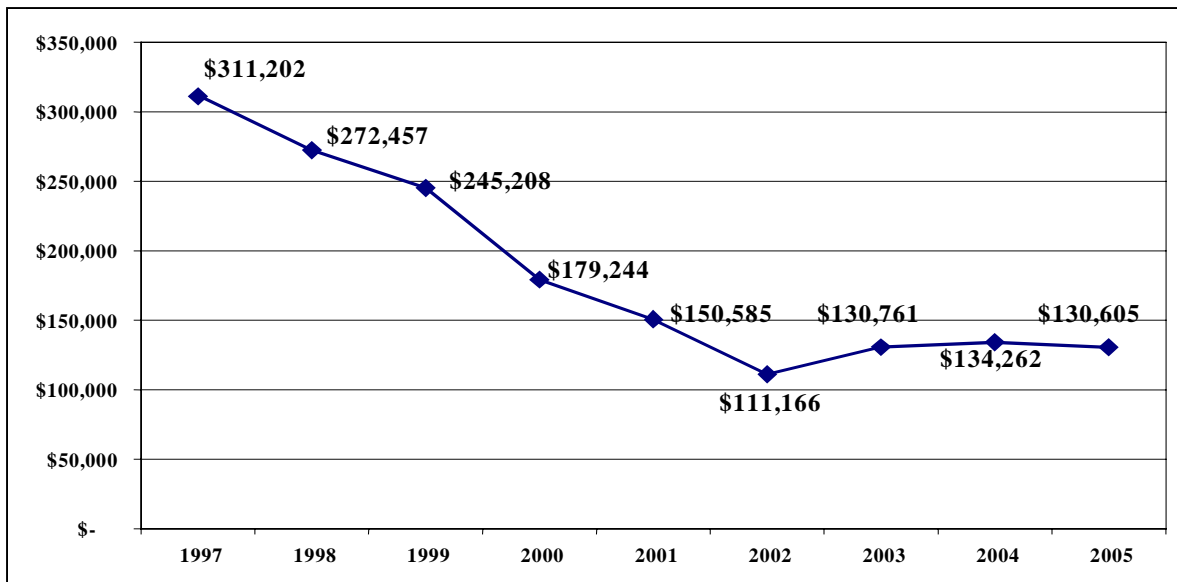
Department of Parks and Recreation
Report No. 06-07, July 2006

This engagement is a follow-up review of the status of the Department of Parks and Recreation's (DPR) unresolved audit recommendations identified in prior Office of the Public Auditor (OPA) Report Nos. 01-03, 02-03, and 02-07. OPA's enabling legislation requires that OPA follow-up on the status of audit recommendations.

Based on the management responses received prior to our follow-up review, we determined that of the 33 recommendations made, 22 were not implemented. Of the 22 audit recommendations, 12 were not implemented until our review in January 2006. Ten recommendations remain unimplemented.

Our follow-up review found no substantial change in the control and oversight of the DPR Revolving Fund since the issuance of the prior audits, because the former and current Directors and Commissions did not implement OPA recommendations or ensure that DPR revenues and expenditures were reported and monitored. As a result, we saw wide fluctuations in DPR revenues and an overall decline of \$19,980, from \$150,585 in FY 2001 to \$130,605 in FY 2005.

DPR Revenue Trend



We found that DPR:

- Did not establish a system of internal controls to ensure that all revenues were received and financial activities were monitored. As a result, there continues to be a high risk of misappropriation of cash, undetected errors, and uncollected and undeposited revenues for the DPR Revolving Fund;

- Did not monitor park facilities and park agreements to ensure that facilities are being utilized properly. As a result, park facilities and resources are susceptible to misuse and non-compliance with terms and conditions of park agreements;
- Did not adopt rules and regulation through the Administrative Adjudication Act process and did not develop a system to monitor all legislation affecting DPR activities. Thus, DPR is operating with ineffective rules and regulations and may not be complying with all its mandates; and
- The Commission did not meet regularly to provide sufficient oversight over the management and operations of DPR, as well as the Revolving Fund.

In OPA Report No. 01-03, we found that a DPR employee allegedly collected fees of \$3,200 for personal use and that \$67,000 of DPR fees intended for the DPR Revolving Fund were allegedly diverted into the DPR Employees' Association (DPREA) bank account and used for personal purposes. The Office of Attorney General (OAG) pursued a charge of misapplication of entrusted funds as a misdemeanor against the DPR employee and was barred from ever working again in the government of Guam. As for the diversion of \$67,000 of DPR fees, the former and current Directors did not conduct a review to determine whether the money was, in fact, used for personal purposes. This recommendation has been closed by OPA since the DPREA in question was dissolved in 2003 and the OAG determined that no further action would be taken.

Since the prior audit reports, OPA made 10 follow-up correspondences requesting an update of the status of the audit recommendations. It was not until our review in January 2006 that DPR formulated some policies to address audit recommendations, thus we are unable to determine if the recommendations have been implemented until sufficient time has passed to make an evaluation.

OPA made several recommendations to DPR to further improve accountability and internal controls. Among these recommendations are:

- Prepare monthly revenue reports to be approved by the Director after supervisory review for completeness and accuracy, which will help identify weaknesses in DPR's revenue generating activities.
- Compile and maintain a complete and current electronic master permit listing to account for park and vendor permits.
- Monitor parks (including Matapang Park) regularly, and park agreements, at least annually, to ensure that private businesses comply with the permit conditions.

If implemented, the audit recommendations should result in greater accountability and checks and balances over the DPR Revolving Fund. The management of an organization has a duty to ensure that a system of adequate checks and balances are established so goals and objectives are achieved, and resources are safeguarded and used economically and efficiently. The Department of Parks and Recreation concurred with the recommendations in this report. Refer to Appendix 8 for DPR's management response.



Doris Flores Brooks, CPA, CGFM
Public Auditor



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OFFICE OF THE PUBLIC AUDITOR

Introduction

This report details the results of our follow-up review of the status of the Department of Parks and Recreation's (DPR) unresolved audit recommendations identified in prior audits issued by the Office of the Public Auditor (OPA).

- OPA Report No. 01-03, the November 2001 Investigative Audit of the Department of Parks and Recreation Employees' Association (DPREA) disclosed that DPR employees diverted over \$67,000 of DPR fees into the DPREA bank accounts for personal purposes.
- OPA Report No. 02-03, the May 2002 Performance Audit of the Department of Parks and Recreation Parks and Recreation Revolving Fund (DPR Revolving Fund) disclosed internal control (checks and balances) deficiencies in DPR's revenue collection, permit issuance, and fund accountability.
- OPA Report No. 02-07, the November 2002 Investigative Audit of the Department of Land Management Permit for Use of Matapang Beach Park disclosed that Six D Enterprise (previous owner of the Holiday Inn) is in default of the conditions under which it was granted use of the Matapang Park.

The objectives of our follow-up review were to:

- Determine whether DPR implemented the recommendations contained in OPA Report Nos. 01-03, 02-03, and 02-07, and
- Identify any new recommendations based on DPR's current operations.

The scope and methodology are detailed in Appendix 2. See Appendices 5, 6, and 7 for the Executive Summaries of OPA Report Nos. 01-03, 02-03, and 02-07, respectively.

In the previous audit reports, we made recommendations to the Director and the Parks and Recreation Commission (Commission). The Commission consists of seven members whose responsibilities include (1) advising and recommending to the Director, and (2) reporting to the Governor and the Legislature not later than July 1st of each year delineating DPR's activities and plans for the coming fiscal year.¹

¹ Title 21 of the Guam Code Annotated Sections 77106 and 77107.

Based on the management responses received prior to our follow-up review, we determined that of the 33 recommendations made, 22 were not implemented.

Public Recreation Services Fund

All funds generated through DPR fees, fines, and assessments are to be deposited into the Public Recreation Services (PRS) Fund. Prior to the PRS Fund, there were three different DPR funds: (1) Parks Fund, (2) Parks and Recreation Revolving Fund, and (3) Recreation Revolving Fund.² These funds were replaced by the PRS Fund in September 2004 through Public Law (P.L.) 27-106. During our follow-up review, balances from the three DPR Revolving Funds were transferred to the PRS Fund.

² Title 21 Chapter 77 of the Guam Code Annotated.

Results of Recommendations Follow-Up

Since the prior audits, we found no substantial change in the control and oversight of the DPR Revolving Fund because the former and current Directors and Commissions did not implement the OPA recommendations or ensure that DPR revenues and expenditures were reported and monitored. As a result, we saw wide fluctuations in DPR revenues and an overall decline of \$19,980, from \$150,585 in FY 2001 to \$130,605 in FY 2005. Specifically, DPR:

- Did not establish checks and balances over its revenue collection,
- Did not monitor park facilities and park agreements,
- Did not adopt rules and regulations, and
- The Commission did not meet regularly to provide sufficient oversight over the management and operations of DPR, as well as the Revolving Fund.

Policies to address OPA recommendations were not established by the Director until January 2006. Therefore, we are unable to determine if the recommendations have been implemented until sufficient time has passed to make such an evaluation.

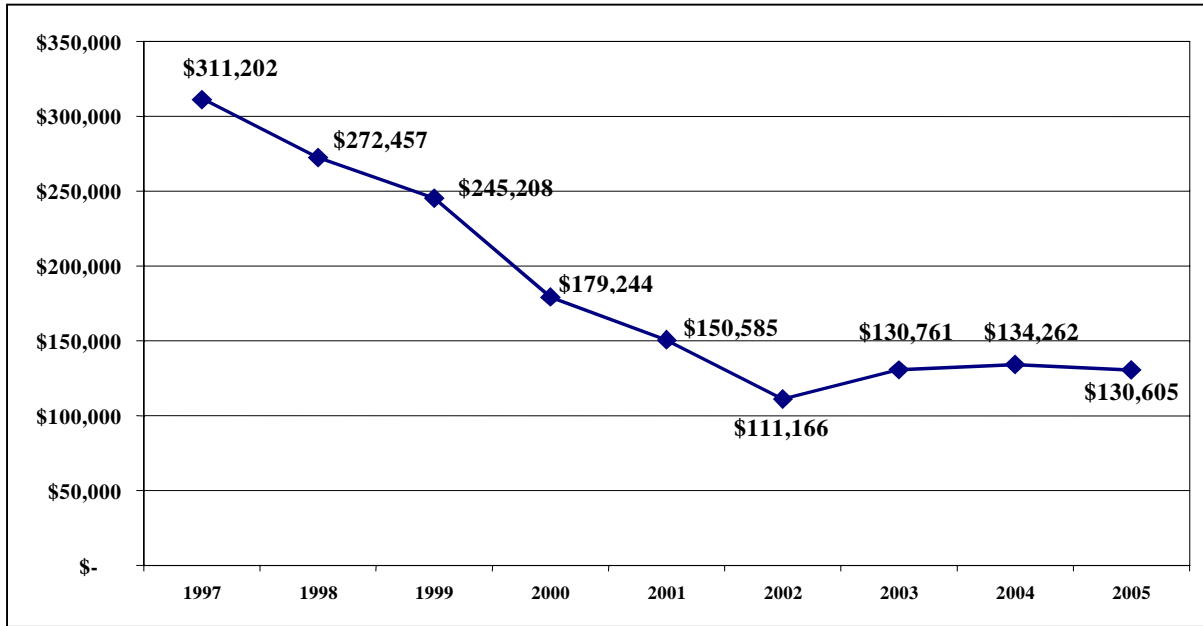
Please see Appendix 3 for details of the actions taken by DPR and actions required to resolve outstanding recommendations.

Analysis of Revenue Trend

In OPA Report Nos. 01-03 and 02-03, we saw that DPR revenues had declined by 52% from \$311,202 in FY 1997 to \$150,585 in FY 2001, as a result of poor controls and the diversion of DPR funds to the DPR Employees' Association.

In order to determine whether controls over the DPR revenues had improved since the prior audits ending in FY 2001, we analyzed the deposits into the Fund. In FY 2002, revenues continued to decrease another 26%, but stabilized in FY 2003, 2004, and 2005. Overall, we found that DPR revenues were \$150,585 in FY 2001, \$111,166 in FY 2002, \$130,761 in FY 2003, \$134,262 in FY 2004, and \$130,605 in FY 2005. See Chart 1 for the illustration.

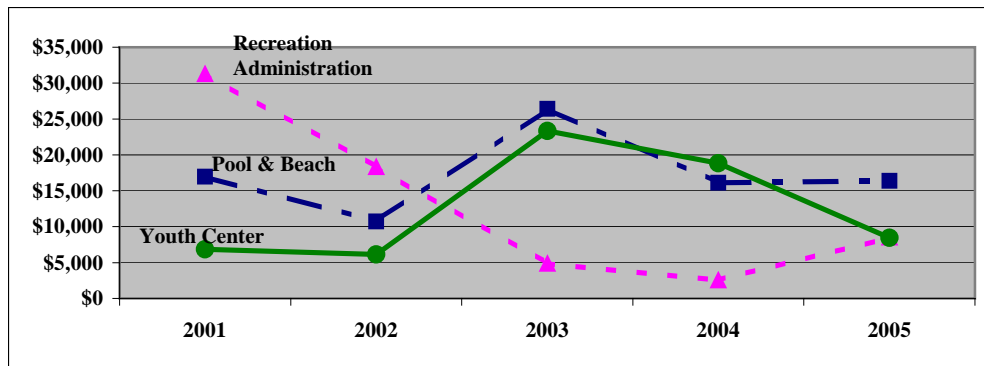
Chart 1: Analysis of Revenue Trend



Fiscal Year ³	Community Program	Paseo Stadium	Pool & Beach	Recreation Administration	Youth Center	Parks Fees	Total
1997	\$ 54,510	\$ 29,876	\$ 32,392	\$ 90,272	\$ 12,539	\$ 91,613	\$ 311,202
1998	49,224	55,503	18,638	27,961	37,800	83,331	272,457
1999	46,171	8,254	17,877	71,877	18,260	82,770	245,209
2000	20,891	1,720	10,165	52,343	18,300	75,825	179,244
2001	14,253	16,048	16,987	31,246	6,870	65,181	150,585
2002	5,319	9,962	10,748	18,306	6,150	60,681	111,166
2003	26,200	2,198	26,394	4,861	23,345	47,763	130,761
2004	39,457	212	16,103	2,550	18,817	57,123	134,262
2005	27,540	510	16,369	8,490	8,480	69,216	130,605

While DPR’s total revenues stabilized following FY 2003, revenues in the categories of Recreation Administration, Pool and Beach, and Youth Center fees declined.

Chart 2: Categories of Revenue Declines



³ Fiscal years 1997 – June 2001 were reviewed in prior audits (OPA Report Nos. 01-03 and 02-03).

Our analysis of DPR's revenue trend from FY 2001 to FY 2005 found declines of:

- 97% in Paseo Stadium fees, from \$16,048 to \$510. The decline in the Paseo fees will be addressed in a separate report.
- 73% in Recreation Administration fees (revenues from vendors of water-mechanized operations in designated areas, i.e. Merizo and East Agana), from \$31,246 to \$8,490.
- 64% in Youth Center fees (revenues from summer camp programs) during FY 2003 to FY 2005, from \$23,345 to \$8,480.

The Director stated he was aware of the decline in DPR revenues. He attributed the decline to the lease of the Paseo Stadium, water recreation vendors shutting down, and strict water regulations in the Port Authority of Guam's area due to the September 11, 2001 terrorist attack of the United States. The Director informed us that he would utilize OPA's revenue analysis as a tool to identify weaknesses in DPR revenue generating activities and determine plausible solutions to increase revenues.

Lack of Internal Controls Over Revenue Collections

Internal Controls (checks and balances) serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. We found that the former and current Directors and Commissions did not establish a system of internal controls to ensure that all revenues collected were received and financial activities were monitored. As a result, there continues to be a high risk of misappropriation of cash, undetected errors, and uncollected and undeposited revenues for the DPR Revolving Fund.

Revenue and Summary Reports Not Monitored by Management

During our review, we found that daily deposits and quarterly park and vendor permit reports were not reviewed by a supervisor or approved by the Director. Further, the reports lacked pertinent information (permit numbers, applicant names, shelter number, and payments, etc.) necessary for the Commission and the Director to monitor facility usage trends and detect irregularities.⁴ Management reviews would ensure that the reports are complete and accurate.

In the 22 months, from May 2003 to February 2005, the Commission met only seven times. Although the law does not stipulate how often the Commission should meet, it is our determination that the Commission did not meet frequently enough to provide sufficient oversight over the management and operations of DPR, or the DPR Revolving Fund. The Commission submitted its FY 2003 report to the Governor and the Legislature in June 2004. The reports for FY 2004 and 2005 have yet to be submitted.

⁴ We were unable to confirm with the Commission if the quarterly summary reports were submitted for their review because the contact information provided by DPR was not current.

To correct this deficiency, we recommend that DPR prepare monthly revenue reports, including vendor permits, to be approved by the Director after supervisory review for completeness and accuracy. The report should include sufficient information, i.e. permit numbers, applicant names, shelter number, and payments. This will help identify weaknesses in DPR’s revenue generating activities.

Hagåtña Pool Turnstile Not Replaced

The Director confirmed that the turnstile at the Hagåtña pool is beyond repair and that pool admissions are currently being ticketed and tracked manually. The turnstile has been inoperable since 1995. As a result, it is possible to enter the pool area without paying admission, and the risk of loss of admission revenues is great.



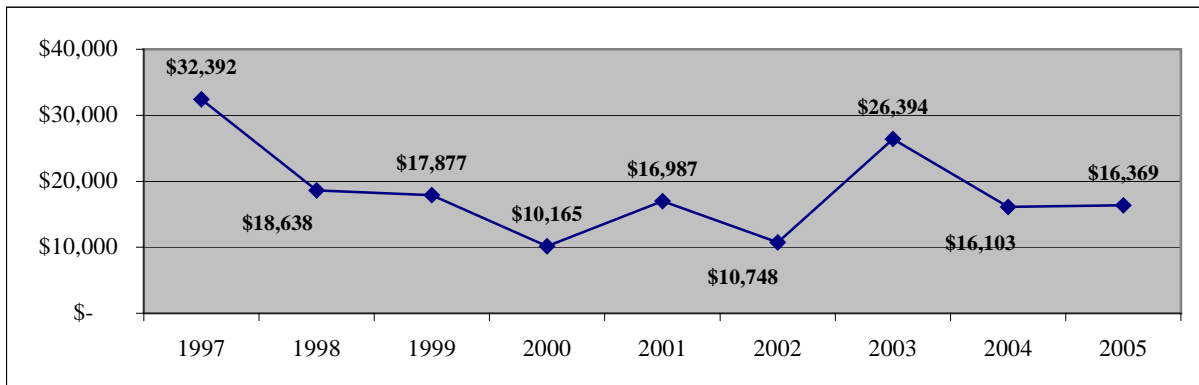
Image 1: Hagåtña Pool turnstile

To illustrate, an OPA staff went to the pool in February 2006 and paid the 50-cent admission fee, but did not receive a ticket or any form of receipt. An operable turnstile would enable DPR to track the number of people entering the pool area daily, and to reconcile these numbers against daily revenues. It would also make theft detectable and discourage misappropriation of funds.

Over the years, the collection of pool and beach fees has been erratic. Our revenue analysis found that revenues increased from \$16,987 in FY 2001, dropped to \$10,748 in FY 2002, increased to \$26,394 in FY 2003, then dropped again to \$16,103 in FY 2004, and rose slightly to \$16,369 in FY 2005. An

unexplained fluctuation in user fees could signal that not all fees are being properly collected and recorded. See Chart 3 for illustration.

Chart 3: Pool and Beach Fees



The Director informed us that DPR has not solicited quotations to replace the turnstile machine because he expects that purchasing one would be costly. However, added revenue from better management and control could be the funding source for a new turnstile.

Therefore, we recommend that DPR consider several options for the Hagåtña pool: (1) purchase of a new turnstile, (2) waive the 50 cents admission fee since the cost of staff to monitor admissions appears greater than the actual fees collected, (3) raise the fee to justify the manual monitoring in which greater control will be required, or (4) present another effective alternative.

Checks and Balances Over Receipts Not Established

DPR did not account for park permits.⁵ We reconstructed a master listing from the individual park permit schedules⁶ for a three-month period between October and December 2005 and found that the schedules did not include \$214 in revenues that were reported in quarterly park permit revenue reports. Additionally, three permit numbers were absent from the listing (Table 1).

Table 1: Park Permits Receipts Analysis

	Oct.	Nov.	Dec.	Totals
Recorded in permit listing	\$4,435	\$2,711	\$3,201	\$10,347
Reported in quarterly report	\$4,490	\$2,781	\$3,290	\$10,561
Difference	(\$55)	(\$70)	(\$89)	(\$214)
Number of missing permits	3	0	0	3

In our OPA Report No. 02-03, we recommended the use of numerical permits as a control measure to account for all revenues. However, if numerical permits are not reconciled with monies collected and deposited, the use of numerical permits is futile. Because an electronic master listing was not maintained and park permits were not reconciled, there is no assurance that DPR deposited all permit fees collected.

A complete and accurate master permit listing would enable DPR to account for all permits issued and to prepare permit revenue reports for monitoring and reconciliation. Timely reconciliation, which should be prepared by another individual, serves as a check to ensure that deposits received are properly recorded. Moreover, irregularities and omissions could be identified on a timely basis.

Therefore, we recommend that DPR compile and maintain a complete and current electronic master permit listing to account for all park and vendor permits. In order to monitor facility usages trends and detect irregularities, reconcile permits with cash collected daily and have an independent person verify the reconciliation.

⁵ Park permits are issued to individuals to use the Guam Territorial Park System, i.e. shelters and camping grounds. DPR’s current fees: shelter \$10; pavilion \$50; amphitheater \$75; and camping \$25.

⁶ The park permit schedule is DPR’s mechanism for tracking reservations of its park facilities.

Park Facilities and Agreements Not Monitored

During our follow-up review, we found that DPR did not monitor parks and park agreements to ensure that the facilities were being utilized properly. As a result, park facilities and resources are susceptible to misuse and noncompliance with terms and conditions of agreements.

Matapang Park Facility Use Waiver

We found that in December 2005, DPR waived the usage fee of two park shelters for a private employees' association (association) Christmas party. In exchange, the association provided a security chain for the beach area. The Director was not aware of this arrangement. OPA Report No. 02-07, issued in November 2002,⁷ found that the association's employer is responsible for the development, use, and maintenance of the Matapang Beach pursuant to a 1985 permit.

We recommend that DPR discontinue the practice of exchanging DPR facility usage for goods and services from private businesses until such guidelines are incorporated in its adopted rules and regulations.

Matapang Park and Other Park Agreements Not Regularly Monitored

During our review, the Director confirmed that Six D Enterprise (Six D) failed to maintain the Matapang Park's facilities and park area as agreed in the 1985 permit. This was initially found in OPA Report No. 02-07.

In September 2003, the Acting Parks Administrator transmitted to OPA a compliance review of Six D's park agreements along with other private businesses in response to our recommendation. The recommendation required regular performance of compliance review and regular monitoring of park facilities. In May 2006, a DPR Park Ranger confirmed that regular monitoring and compliance review of the Matapang Park and other park agreements were not performed as recommended. We recommend that DPR monitor parks, including Matapang Park, regularly, and park agreements, at least annually, to ensure that private businesses comply with permit conditions.

In April 2006, the Office of Attorney General (OAG) held a meeting with the government officials who have oversight of Six D's permit. The OAG is still reviewing the case to determine what action to take.

Facility Use Discounts Continue

Pursuant to 21 G.C.A. § 77104, DPR is allowed to waive facility usage fees for bona fide youth sports groups, non-profit youth organizations, and public or private school youth sports activities. Waivers must be written and approved by the Director, which are attached to the permits.

⁷ OPA Investigative Audit, "Department of Land Management Permit for Use of Matapang Beach Park."

Employee Discounts

A DPR employee confirmed that employees enjoyed free use of DPR parks and facilities since October 1999 until February 2003, when a former Director imposed a 50% discount for employees.⁸ We were not able to identify any law or regulation which authorized the benefit to be established nor was the former Director able to identify on what basis he had the authority to authorize the discount. The Deputy Director confirmed that the employee discount allowed unlimited use of park shelters.

Our database of 555 park permits issued between September and December 2005 disclosed that 75 permits for 128 shelters were issued to 29 DPR employees.⁹ The employee discounts resulted in a revenue loss of approximately \$886 in the four-month period. One employee obtained 10 permits for 22 shelters within the four months, which averages to the usage of park facilities every 12 days.

DPR did not have the authority to authorize the employee benefit. Further, without limitation on park shelter discounts, DPR employees may have abused¹⁰ the discount privilege. Although employees maintain that the permits are for various family functions, obtaining multiple permits numerous times is suspect. The 50% employee discount may be given away or sold without limitations to others at the regular price of \$10 per shelter.

In a January 2006 memorandum to all DPR employees, the Director discontinued the 50% discount as an employee benefit. This policy change was implemented during our review; therefore, we are unable to determine if the policy has been implemented until sufficient time has passed to make such an evaluation.

Rules and Regulations Not Adopted through AAA Process

Government managers should follow duly established procedures to ensure compliance with applicable legal requirements. The Administrative Adjudication Act (AAA process), delineated in 5 G.C.A. § 9300, established a uniform method for all public agencies to make and adopt rules. It was the intent of the Legislature to permit public participation in the AAA process and to provide a method of rule-making readily accessible to the public.

In OPA Report No. 02-03, we found that DPR's park fees and rules and regulations were not adopted through the AAA process, nor do they conform to the department's current operations. Additionally, in OPA Report No. 02-07, DPR did not develop a system to monitor all legislation affecting DPR activities. These findings still exist and as a result, the department is operating with ineffective rules and regulations and may not be complying with all of its mandates.

⁸ The 50% employee discount included park shelters and camping sites.

⁹ A permit may be issued for more than one shelter.

¹⁰ Abuse is defined in Government Auditing Standards as behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. 2003 Revision, Section 7.25.

We recommend that DPR adopt rules and regulations through the AAA process and develop a system to monitor all legislation affecting its activities to comply with all mandates.

Recommendation Closed

In OPA Report No. 01-03, the Investigative Audit of the DPR Employees' Association (DPREA), we found that a DPR employee allegedly collected fees of \$3,200 for personal use, and that \$67,000 of DPR fees intended for the DPR Revolving Fund were allegedly diverted into DPREA bank accounts and used for personal purposes. The report was referred to the OAG to determine if the alleged acts warrant prosecution.

The OAG pursued a charge of misapplication of entrusted funds as a misdemeanor against the DPR employee alleged to have used \$3,200 of DPR fees for personal use. In April 2005, the employee entered into a plea agreement and was ordered to pay a \$1,000 fine plus court costs. The employee was also barred from future employment in the government of Guam.¹¹

As for the diversion of \$67,000 in DPR fees to the Employees' Association, the former and current Directors did not conduct a review to determine whether the money was, in fact, used for personal purposes. The current Director stated that the incident occurred during the previous administration and that DPREA was already under investigation by the OAG. Our review found that the OAG determined that no further action would be taken because the former Director issued a letter to potential donors stating that contributions to DPR-sponsored activities would be made payable to the DPREA.

DPREA was dissolved in 2003 and a new employees association, the Department of Parks and Recreation Ina'fa'maolek Association (DPRIA), was created in December 2005. The DPRIA filed as a non-profit organization and submitted its by-laws to the Department of Revenue and Taxation, but has not been granted tax-exempt status. The Director and a DPRIA officer confirmed that no employee association-related activities occurred between DPREA's dissolution in 2003 and December 2005.

Although we performed a limited review of DPRIA's seven bank statements from May 2005 to December 2005, we could not make a determination whether DPR Funds were diverted. This recommendation has been closed by OPA since the DPREA in question was dissolved in 2003 and the OAG determined that no further action would be taken.

¹¹ Criminal Case No. CF453-03.

Conclusion

Based on the management responses received prior to our follow-up review, we determined that of the 33 recommendations made, 22 were not implemented. Of the 22 audit recommendations, 12 were not implemented until our review in January 2006. Ten recommendations remain unimplemented.

Since the prior audit reports, OPA made 10 follow-up correspondences requesting an update of the status of the audit recommendations. It was not until our review in January 2006 that DPR formulated some policies to address audit recommendations, thus we are unable to determine if the recommendations have been implemented until sufficient time has passed to make an evaluation.

If implemented, the audit recommendations should result in greater accountability and checks and balances over the DPR Revolving Fund. The management of an organization has a duty to ensure that a system of adequate checks and balances are established so that goals and objectives are achieved, and resources are safeguarded and used economically and efficiently.

Monitoring is the capstone of effective checks and balances, particularly when discrepancies between actual performance and anticipated results are investigated. Monitoring requires management to continually:

- Set the tone for the entire operation,
- Educate employees as to the purpose and importance of checks and balances, and
- Provide resources necessary to ensure that the structure of checks and balances is properly designed and maintained.

An Administrative Services Officer (ASO) was temporarily detailed to DPR from the Department of Public Works in January 2006 to develop DPR's FY 2007 budget and assist in the implementation of the outstanding audit recommendations. In April 2006, the ASO was permanently transferred to DPR.

Further Recommendations

We recommend that the Director and the Parks and Recreation Commission:

1. Prepare monthly revenue reports, including vendor permits, to be approved by the Director after supervisory review for completeness and accuracy. The report should include sufficient information, i.e. permit numbers, applicant names, shelter number, and payments. This will help identify weaknesses in DPR's revenue generating activities.
2. Adopt rules and regulations through the AAA process. Discontinue the practice of exchanging DPR facility usage for goods and services from private businesses until such guidelines are incorporated in the adopted rules and regulations.
3. Compile and maintain a complete and current electronic master permit listing to account for park and vendor permits. In order to monitor facility usage trends and detect irregularities, reconcile permits with cash collected daily and have an independent person verify the reconciliation.
4. Consider several options for the Hagåtña pool: (1) purchase of a new turnstile, (2) waive the 50 cents admission fee since the cost of staff to monitor admissions appears greater than the actual fees collected, (3) raise the fee to justify the manual monitoring in which greater control will be required, or (4) present another effective alternative.
5. Monitor parks (including Matapang Park) regularly, and park agreements, at least annually, to ensure that private businesses comply with the permit conditions.
6. Develop a system to monitor all legislation affecting DPR activities to comply with all mandates.

Management Response and OPA Reply

In June 2006, we met with the DPR Director to discuss the final draft report that was initially transmitted. In his management response, he indicated concurrence with all of our recommendations. We have included a copy of his response in Appendix 8 of this report.

The legislation creating the Office of the Public Auditor requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress in implementing the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, our office will be contacting the agency to establish the target date and title of the official responsible for implementing the recommendations.

We appreciate the cooperation shown by the staff of the Department of Parks and Recreation.

OFFICE OF THE PUBLIC AUDITOR



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Appendix 1:
Classification of Monetary Impact

Finding Area	Unrealized Revenues	Unreported Revenues
1 Analysis of Revenue Trend	\$ 19,980	\$ -
2 Lack of Internal Controls Over Revenue Collections		
Revenue and Summary Reports Not Monitored by Management	\$ -	\$ -
Hagåtña Pool Turnstile Not Replaced	\$ -	\$ -
Checks and Balances Over Receipts Not Established	\$ -	\$ 214
3 Park Facilities and Agreements Not Monitored		
Matapang Park Facility Use Waiver	\$ -	\$ -
Matapang Park and Other Park Agreements Not Regularly Monitored	\$ -	\$ -
4 Facility Use Discounts and Waivers Continue		
Employee Discounts	\$ 886	\$ -
5 Rules and Regulations Not Adopted through AAA Process	\$ -	\$ -
6 Recommendation Closed	\$ -	\$ -
 TOTAL:	 <u>\$ 20,866</u>	 <u>\$ 214</u>

Appendix 2:**Audit Scope and Methodology**

The scope of this follow-up review encompassed (1) changes in the policies and procedures made by DPR since July 1, 2001, (2) DPR revenues collected from FY 2001 through FY 2005, and (3) park permits listing from September 2005 through December 2005. The location of the review was the Department of Parks and Recreation in Agana Heights, Guam.

The methodology included gaining an understanding of the policies, procedures, and applicable laws and regulations pertaining to the DPR Revolving Fund. We interviewed officials from DPR and the Department of Administration.

We developed a database of 555 park permits issued for the four-month period of September through December 2005 to determine if permits were issued in numerical sequence and to identify missing items. We judgmentally selected 15 park permits to analyze if park permits were recorded with government receipts and issued at applicable rates. We also compared park permit revenues for the four months to park permit revenues in quarterly revenue reports for the October - December 2005 quarter, to determine whether revenue reported was substantiated in a separate permit listing provided by DPR.

Our review was conducted in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We included tests of records and other auditing procedures considered necessary under the circumstances. We evaluated the internal controls related to the management of the DPR Revolving Fund to the extent we considered necessary to accomplish our objective. Weaknesses identified in these areas are discussed in the Results of Audit section.

OPA Report No. 01-03

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
<p>DPR fees were diverted into DPR Employees' Association (DPREA) and used for personal purposes.</p>	<p>The Director should establish controls within DPR to assure that all receipts of the department are properly accounted for and used only for the purposes for which the Legislature established the Revolving Fund.</p>	<p>Policy established in January 2006: Designated the Treasury Agent to collect, monitor, and report payments to the Director.</p> <p>Since the policy was only established in January 2006, we are unable to determine if the recommendation has been implemented.</p>	<p>Closed See Recommendation #3</p> <p>Compile and maintain a complete and current electronic master permit listing of all facility permits issued by sequential control numbers, to include, at the minimum, applicant name, permit number, shelter number, and amount paid, and ensure that daily deposit and revenue reports are reviewed, reconciled, and acknowledged by a supervisor. The reconciliation of daily cash receipts with permits issued and the appropriate reviews and approvals will serve as checks and balances in ensuring that all DPR receipts are accounted for.</p>
<p>DPR fees were diverted into DPREA and used for personal purposes.</p>	<p>The Director confirm whether any funds still held by the Employees' Association should be repaid to the Department's Revolving Fund.</p>	<p>DPR took no action.</p> <p>The OAG determined that no further action will be taken since the former Director issued a letter to potential donors stating that contributions to the Youth Center Guam Team be made payable to the DPREA.</p>	<p>Closed</p> <p>DPREA was dissolved in 2003 and a new employees association, the Department of Parks and Recreation Ina'fa'maolek Association (DPRIA), was created in December 2005.</p>
<p>DPR fees were diverted into DPREA and used for personal purposes.</p>	<p>The Director confirms that no new employees' association accounts can be established until appropriate safeguards have been established to assure the proper use of money. The Director should monitor the activities of the Employees' Association on a continuing basis.</p>	<p>A new employees association, the Department of Parks and Recreation Ina'fa'maolek Association (DPRIA), was created in December 2005. Its Constitution established checks and balances to assure proper use of money. The President will appoint an auditor to audit financial reports of the Treasurer.</p>	<p>Implemented</p>

OPA Report No. 02-03

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Internal Control Deficiencies over Revenue Collections	DPR incorporate control numbers in their facility use permits, issue them in numerical sequence, and utilize only official government receipts.	Control numbers have been incorporated in DPR facility permits and are accompanied with official government receipts; however, a master listing of all permits issued is not maintained and not reconciled to account for all permits.	Closed See Recommendation #3 Compile and maintain a complete and current electronic master permit listing to account for all park and vendor permits, to include at the minimum name of applicant, permit number, shelter number, and amount paid.
Internal Control Deficiencies over Revenue Collections	Segregate the collection duties of the Treasury Agent from the duties of issuing and approving permits. Only the Treasury Agent should be allowed to collect payments and not issue permits. Ideally, the Treasury Agent should report to someone other than the manager responsible for the operations of the division for which funds are collected.	Policy established in January 2006: The Treasury Agent will not issue permits, but will deposit and make daily revenues reports, which will be reviewed and endorsed by an immediate supervisor, the Director or Deputy Director. OPA observed this process as implemented.	Implemented
Internal Control Deficiencies over Revenue Collections	Establish monitoring procedures over all vendor contracts. If vendors breach the terms of their contracts, the department should cancel their leases and document such occurrences in its books.	Monitoring procedures have not been established over vendor contracts to ensure that vendors are current with their payments. The Treasury Agent maintains a running database of vendor permits issued per facility. However, the database is not submitted to nor monitored by management, which serves as checks and balances over the collection of fees and issuance of vendor permits.	Closed See Recommendation #1 and 3 DPR Director should monitor vendor contracts to ensure that vendors are current with their obligations to DPR. The Treasury Agent should include vendor information in the monthly summary report as described earlier to ensure that all cash receipts were reconciled with vendor permits issued.

OPA Report No. 02-03 (continued)

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Internal Control Deficiencies over Revenue Collections	DPR utilize the Rotogate (turnstile) for the Hagåtña pool and prevent any form of manual bypass. All admissions should be processed through the Rotogate without exception.	A manual ticketing system is currently practiced and the turnstile has yet to be replaced.	Closed See Recommendation #4 Establish controls to monitor pool admissions and consider several options: (1) purchase a new turnstile, (2) waive the 50 cents admission fee since the cost of staff to monitor admissions appears greater than the actual fees collected, (3) raise the fee to justify manual monitoring in which greater control will be required, or (4) present another effective alternative.
Non-Compliance with Rules and Regulations	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 the new rules are approved through the Administrative Adjudication (AAA) ¹² process.	Updated rules and regulations created in 1995 were not submitted to the Legislative Secretary to be approved through the AAA process.	Closed See Recommendation #2 Adopt rules and regulations through the AAA process.
Non-Compliance with Rules and Regulations	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.	Memorandum issued by Director in January 2006 discontinued the 50% discount for park shelters as an employee benefit. However, DPR has not discontinued the practice of exchanging DPR facility usage for goods and services from private businesses.	Closed See Recommendation #2 Discontinue practice of exchanging DPR facility usage for goods and services from private businesses until guidelines for such are adopted in DPR rules and regulations through the AAA process.

¹² 5 G.C.A. § 9300.

OPA Report No. 02-03 (continued)

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Non-Compliance with Rules and Regulations	Adopt procedures 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.	Security deposit fee schedule and procedures have been established and implemented. Cleaning deposits are to be issued by the Treasury Agent or a designee in his absence.	Implemented
Non-Compliance with Rules and Regulations	Utilize the services of the accounting staff of the Department of Administration (DOA) to establish procedures with appropriate controls for the collection and deposit of all fees collected from DPR customers.	DPR personnel are reconciling its records with the Department of Administration (DOA) statements of the Revolving Fund. The Treasury Agent will be receiving training on the AS400 Financial System at DOA.	Implemented
Non-Compliance with Rules and Regulations	Provide monthly reports on the activities of the Parks and Recreation Revolving Fund to the Parks and Recreation Commission for their review.	Policy established in January 2006 for deposits and reports to be prepared daily and reviewed monthly by a supervisor. The reports (1) were not reviewed by a supervisor and approved by the Director, (2) lacked pertinent information (permit numbers, applicant names, shelter number, and payments), and (3) were not prepared monthly. Since the policy was only established in January 2006, we are unable to determine if the recommendation has been implemented.	Closed See Recommendation #1 Prepare monthly revenue reports ¹³ to be approved by the Director after supervisory review of completeness and accuracy, which will help identify weaknesses in DPR revenue generating activities. The report should include sufficient information, i.e. permit numbers, applicant names, shelter number, and payments. The monthly summary will enable the Director to monitor permits and revenues, detect irregularities, and investigate discrepancies.

¹³ P.L. 27-106, which created the PRS Fund in September 2004, required monthly summary reports of DPR revenues. The law is silent as to whom the reports are transmitted to.

OPA Report No. 02-03 (continued)

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Procurement Without Obtaining Quotations	Develop procedures for small purchase transactions and such procedures be approved by the Commission and seek approval from the Chief Procurement Officer to establish "Blanket Purchase Agreements" with various vendors for their hardware and supply requirements.	All procurement functions of DPR are performed by the General Service Agency.	Implemented
Procurement Without Obtaining Quotations	Ensure that DPR staff receives training in the proper application of the GSA Procurement Regulations.	All procurement functions of DPR are performed by the General Service Agency. Training on how to use the automated requisition processing was provided to DPR staff.	Implemented
Procurement Without Obtaining Quotations	DPR management establish control procedures to ensure adequate monitoring of procurement activities.	In July 2005, DPR began electronically submitting requisitions to GSA. GSA obtains appropriate price quotations and issues the purchase order. The Director confirmed that he reviews all requisitions before they are submitted to GSA.	Implemented
Inaccurate or Unavailable Internal Reports	Reconcile their records with statements from the Department of Administration, the agency that handles the accounting of all funds.	DPR personnel are working with DOA in the reconciliation of the Revolving Fund.	Implemented
Inaccurate or Unavailable Internal Reports	Initiate a supervisory review of the clerical accuracy of burial permits.	Policy established in January 2006: Permits are to be prepared by a designee, but an immediate supervisor, Director, or Deputy Director may only endorse the authorization. OPA observed this process as implemented.	Implemented

OPA Report No. 02-03 (continued)

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Guam Veterans Cemetery – Federal Reimbursements	Separate the duties of the Treasury Agent from duties of burial permits issuance and the recording of those transactions.	Policy established in January 2006: The Treasury Agent will not perform permit processing while collecting fees. OPA observed this process implemented.	Implemented
Guam Veterans Cemetery – Federal Reimbursements	Develop written procedures for the operation of the Guam Veterans Cemetery. 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 where applicable.	DPR has provided its “Guam Veterans Cemetery Fact Sheet,” a guideline for processing burial permits. The fact sheet includes eligibility requirements, discharge paper, death certificate, burial transit permit, intent for future burial policy, grave marker, funeral scheduling, and services offered.	Implemented

OPA Report No. 02-07

Prior Audit Finding	Prior Audit Recommendations	Current Status	Review Observations and Required Actions
Five Conditions of TPC Approval	Perform a compliance review of all its agreements whereby private businesses agree to maintain public parks in exchange for some benefit from the government of Guam. These agreements must be monitored regularly.	In September 2003, DPR conducted a compliance review of all its agreements with private businesses in response to our audit recommendation. However, subsequent regular reviews were not performed as recommended.	<p>Closed See Recommendation #5</p> <p>Perform regular, at least annually, compliance reviews of all its agreements with private businesses to ensure that they comply with the conditions of the agreements.</p>
Five Conditions of TPC Approval	Regularly monitor Matapang Park to ensure Six D complies with its permit to ensure that the developer makes the necessary improvements to comply with the permit, i.e., place additional trash containers, a drinking fountain, and playground and maintain park at a level that is pleasing, attractive, and safe to all persons who may use the facilities, including mechanical and utilities systems and all structures. If Six D is determined to be in noncompliance with the permit, the Holiday Inn should not be allowed to use the Park to fulfill its open space and parking requirements.	DPR took no action.	<p>Closed See Recommendation #5</p> <p>Monitor parks, including Matapang Park, regularly.</p>
Five Conditions of TPC Approval	Develop written procedures to address enactment of new legislation that would affect permits in force and other matters within its department.	DPR took no action.	<p>Closed See Recommendation #6</p> <p>Develop a system to monitor all legislation affecting DPR activities to comply with all mandates.</p>

Appendix 4:
DPR Employee Discounts

Employee	Number of Permits Issued to Employee	Number of Facilities	Revenue Loss
1	1	2	\$ 10
2	3	4	\$ 20
3	3	5	\$ 41
4	4	6	\$ 30
5	5	6	\$ 70
6	1	2	\$ 10
7	1	1	\$ 5
8	5	9	\$105
9	1	2	\$ 10
10	1	2	\$ 10
11	2	2	\$ 10
12	1	2	\$ 10
13	1	2	\$ 10
14	2	4	\$ 20
15	4	7	\$ 55
16	4	6	\$ 40
17	1	2	\$ 10
18	1	1	\$ 5
19	1	1	\$ 5
20	1	1	\$ 25
21	7	13	\$105
22	1	1	\$ 5
23	1	1	\$ 5
24	1	2	\$ 10
25	10	22	\$130
26	3	5	\$ 45
27	7	13	\$ 65
28	1	2	\$ 10
29	1	2	\$ 10
TOTAL:	75	128	\$886



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 01-03
November 2001

**Department of Parks and Recreation
January 1, 1998 through June 30, 2001
Investigative Report**

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

While the DPR Employees' Association bank accounts are not government owned, they are subject to audit because of the allegation that government funds were wrongfully deposited into these accounts by government employees.

The available evidence supports the allegations that more than \$67,000 that should have been deposited into the DPR Revolving Fund for the maintenance and improvement of DPR facilities and activities were diverted by DPR employees into the Employees' Association bank accounts and used the money for personal purposes. In another case, evidence indicates a single employee collected and retained a DPR fee of \$3,200 in cash for his own use.

Money deposited into the DPR Revolving Fund for the past five fiscal years has declined precipitously, going from \$219,589 in FY1997 to \$85,404 in FY 2001. There was no evidence to indicate that DPR management exercised appropriate oversight of the DPR Revolving Fund during this five-year period.

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

Under 21 GCA § 77114.2 the Parks Commission has a duty to submit annual audited financial statements of the Revolving Fund to the Governor and to the Legislature. No such audited reports have ever been prepared.

During the 42-month period of January 1998 to June 2001, checks for approximately \$65,784,43 were drawn on the Employees' Association bank accounts. We were able to document only \$22,020.74 of disbursements written to various vendors and Department employees. DPR employees informed us that the rest of the records had been either "stolen," lost or discarded.

From the \$22,020.74, 13 DPR employees received payments for such activities as funeral donations, administrative service, entertainment for night market, MIBT¹ Saipan expenditures, reimbursement for pool activity, payment of aquatic class and a loan. The amounts paid to the 13 Department employees totaled \$9,667.50. One employee received three payments totaling \$2,800. Another employee received seven payments totaling \$3,557.50; his wife received three payments totaling \$3,500 and his daughter received \$800. The combined payments to this employee and his family totaled \$7,857.50.

Various employees informed us that no initial membership fee or regular dues had been collected by the Employees' Association during the audit period. There was also no evidence of authorized Employees' Association fund-raisers having generated any significant sum of money for the Association. The Director told us that some of the money deposited into the Employees' Association appeared to him to have come from DPR activities and should have been deposited into the Revolving Fund.

In the absence of any evidence that the \$67,037.36 deposited into the Employees' Association accounts came from membership fees or dues or authorized fund-raising activities, coupled with the evidence that does show that DPR fees that should have gone to the Revolving Fund went instead to the Employees' Association and taking into consideration the precipitous decline in Revolving Fund income over the past five years, we have concluded that the source of all of the money received by the Employees' Association was diverted from the Revolving Fund.

Recommendations

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

The draft report was provided to the Director and the Commission Chairman. We recommend that the Commission fulfill its duty under 21 GCA § 77114.2 and cause an audit of the fund to be performed at the end of each fiscal year for submission to the Governor and the Legislature.

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

Doris Flores Brooks, CPA
Public Auditor

¹ MIBT is an abbreviation for Marianas Invitational Basketball Tournament.



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 02-03 May 2002

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

[Click Here For Full Report](#)

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.

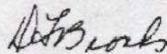
We recommend DPR establish operating procedures and policies for all activities and programs under their jurisdiction and a system of internal controls for all their operations. We recommend that DPR discontinue the following practices until there are rules and regulations approved through the Administrative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



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

OPA Report No. 02-07 November 2002

**Department of Land Management
Investigative Audit on Permit for Use of Matapang Beach Park
1984 through 1994**

The Office of the Public Auditor (OPA) received a tip alleging that the Holiday Inn Resort owed the Department of Parks and Recreation (DPR) rent for its use of Chief Matapang Beach Park (Matapang Park) in Tumon. The informant alleged that the rent was due under an agreement that gives Six D Enterprises (Six D) 50 years' use of Matapang Park in exchange for the development and 20 years' maintenance of the park. Based on this tip the OPA initiated an investigation.

The evidence gathered supports the allegation that the Holiday Inn Resort has not paid rent for its use of Matapang Park because no lease was ever established between the parties. We also found that that under 21 GCA §61531 the Department of Land Management (DLM) should have required 289 parking stalls for the hotel. The hotel has 110 parking stalls on its own land and 106 on Matapang Park, a shortfall of 73 stalls. The hotel also failed to provide adequate bus parking.

DLM did not ensure compliance by the developer of five conditions set forth by the Territorial Planning Commission (TPC) and did not adequately review the developer's application. On November 8, 1984, the application for conditional use and zone variance for the Suehiro Hotel - now the Holiday Inn Resort and previously the Parc Hotel - was approved for height, parking, and setback variances by the TPC, provided that the developer met the following conditions:

1. A lease, conforming to the Attorney General's opinion, must be entered into before any construction of development takes place;
2. The lease is to be with DPR, but approval must be had from all other concerned agencies;
3. If a lease is not made, the developer must resubmit plans dealing with the expansion of the then existing Suehiro Hotel and the variances sought;
4. The Commissioner of Tamuning is to be a party to any and all negotiations and agreements relative to the project; and
5. The amended plans are not to be altered without TPC approval.

Furthermore, the Department of Public Works (DPW) miscalculated the building permit/plan review fee for the expansion of the Suehiro Hotel, resulting in an underpayment of \$62,700 to the government. Neither DLM nor DPW have an occupancy permit on file for the Parc Hotel.

A 1988 quitclaim deed conveyed 124.95 square meters of government-owned Tumon land to the President of Six D Enterprises for \$3,124, a sum that appears to

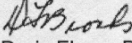
be grossly out of line with then prevailing fair market values for comparable property. With such land then selling for as much as \$175 per square meter, the property reasonably could have commanded a price of up to \$21,866.

Based on information developed subsequent to our investigation, it appears that Six D is in default of the conditions under which it was granted use of Matapang Park. The Governor stated in his radio address on October 29, 2002, that the Guam International Airport Authority (GIAA) had paid for maintenance services for the public restrooms at Matapang Beach and Ypao Beach parks over the past year and has agreed to pay for such maintenance for another year. The permit granted to Six D requires the developer to "maintain the park and beach at a level of maintenance which is pleasing and attractive and safe to all persons who may use the facilities."

Our recommendations detailed in this report include:

1. DLM re-examine and reconstruct the application process of the Six D project to ensure that the application process complies with appropriate statutory and administrative provisions affecting the development.
2. DPR review all its park maintenance agreements. Matapang Park must be regularly monitored to ensure Six D is maintaining the property or if not action to terminate the permit granted to Six D should be considered.
3. The GIAA terminate its FY 2003 Matapang Park maintenance contract. Furthermore, GIAA should seek to recover sums it spent for maintenance Six D was responsible to perform.
4. The Attorney General should evaluate the following:
 - a. Whether a lease should be executed permitting Six D to continue its use of Matapang Park;
 - b. Whether the Government of Guam should seek rent from 1985 through 2002 or if the permit granted to Six D should be terminated;
 - c. Whether DPW can recover from Inland Builders, the contractor for the Six D development, the \$62,700 portion of the building permit fee that was not charged at the inception of the project;
 - d. Whether the Government of Guam has recourse against any individual or legal entity for the conveyance of the 124.95 square meters of government-owned Tumon land to the President of Six D Enterprises;
 - e. Review the record relative to the granting of the permit to Six D to determine if legal or administrative action is warranted against any government employees and principals involved in this development.

The Management of DLM and DPR generally concurred with our findings and recommendations. The management of DPW did not submit a response to our report.


Doris Flores Brooks, CPA
Public Auditor

Appendix 8:
Management Response

Page 1 of 2



Felix P. Camacho
Governor

Kaleo S. Moylan
Lt. Governor

Department of Parks and Recreation
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Government of Guam
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Agana Heights, Guam 96910
Director's Office: (671) 477-6896/97
Facsimile: (671) 477-0997
Parks Division: (671) 475-6288/89
Guam Historic Resources Division: (671) 475-6294/95/72
Facsimile: (671) 477-2822

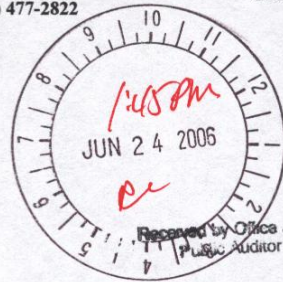


Thomas A. Morrison
Director

Gregory A. Matanane
Deputy Director

23 June 2006

Ms. Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of the Public Auditor
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Hagatna, Guam 96910



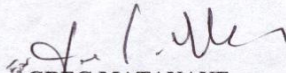
SUBJECT: Concurrence With Audit Recommendations Identified in OPA Report
Nos. 01-03, 02-03 and 02-07.

The department received the draft report on June 19, 2006 and our staff met on June 22, 2006 as scheduled for discussion of the report. This response officially provide our concurrence with your recommendations of which implementation is already in progress and in place.

- 1. Monthly revenue reports to be approved by the director after supervisory review for completeness and accuracy** – The recommendation is already implementation and in place. The review process will be conducted by the administrative assistant and/or the Chief of Administration. As discussed, this review will include the other permits issued at the satellite sites - pool, tennis court and sports complex.
- 2. Adopt Rules and Regulations through the AAA process** – The department is reviewing established regulations and either revising or amending, or adding new regulations for compliance with recommendation. The recommendation of discontinuing exchange of facility usage for goods and services from private businesses is immediately implemented until regulation is in place and promulgated.
- 3. Compile and maintain a complete and current master permit listing** – This is implemented and in place for FY2005 and FY2006. The procedure is established for permit processing and not subject for change with change of personnel.

4. **Hagatna Pool Admission Fee** - The department has sourced for purchase of new turnstile but the option is not definite to make the purchase; rather, the fee may be raised or incorporated with a change in regulations as we revise or amend the Rules and Regulations (AAA process).
5. **Monitor Parks and Parks Agreements, at least annually to ensure private businesses compliance with agreements-** There is in place a daily inspection and monitoring of all parks by the maintenance section. In reference to agreements, the Chief Planner and assigned staff are responsible for review and monitoring of all agreements inclusive to ensure compliance. Closer scrutiny and inventory of agreements will be implemented by July 31, 2006.
6. **Develop a system to monitor all legislation affecting DPR activities** – The department currently monitors all enacted legislation affecting DPR and appraises all affected programs. Review of past public laws is ongoing and continuing until accomplished to current.

We convey our sincere appreciation for your staff's assistance to our department to bring the issues and concerns of this audit to a close. For further information, please contact the DPR staff at 475-6288/9.


GREG MATANANE
Acting

Appendix 9:
Status of Further Recommendations

Finding/ Recommendation Reference	Status	Action Required
1	Management concurs; additional information needed.	Provide the target date and the title of the official responsible for the (a) monitoring vendor contracts to ensure that vendors are current with their obligations to DPR. Provide a copy of monthly revenue reports approved by the administrative assistant and/or the Chief of Administration indicating supervisory review of completeness and accuracy, which will help identify weaknesses in DPR revenue generating activities.
2	Management concurs; additional information needed.	Provide the target date and the title of the official responsible for the adoption of DPR revised rules and regulations through the AAA process and to discontinue the exchange of DPR facility usage for goods and services from private businesses.
3	Management concurs; additional information needed.	Provide a copy of DPR's fiscal years 2005 and 2006 electronic master permit listing, to include, at the minimum, applicant name, permit number, shelter number, and amount paid. Provide the target date and the title of the official responsible for the reconciliation of facility permits with cash collected with an independent person verifying the reconciliation.
4	Management concurs; additional information needed.	Provide the target date and official responsible for considering several options for the control of the Hagåtña pool: (1) purchase a new turnstile, (2) waive the 50 cents admission fee since the cost of staff to monitor admissions appears greater than the actual fees collected, (3) raise the fee to justify manual monitoring in which greater control will be required, or (4) present another effective alternative.
5	Management concurs; additional information needed.	Provide a copy of the daily inspection reports of all parks by the maintenance section. Provide the target date and copy of the compliance report from the Chief Planner's regular review of all park agreements to ensure compliance.
6	Management concurs; additional information needed.	Provide the target date and official responsible for the monitoring of all legislation affecting DPR activities to comply with all mandates, and provide documentation to warrant that legislations affecting DPR is being monitored and reviewed.

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **Visit our website at www.guamopa.org;**
- **Call our office at 475-0390;**
- **Fax our office at 472-7951;**
- **Or visit us at the PNB Building, Suite 401
In Hagåtña**

All information will be held in strict confidence.