



OFFICE OF THE PUBLIC AUDITOR

EXECUTIVE SUMMARY

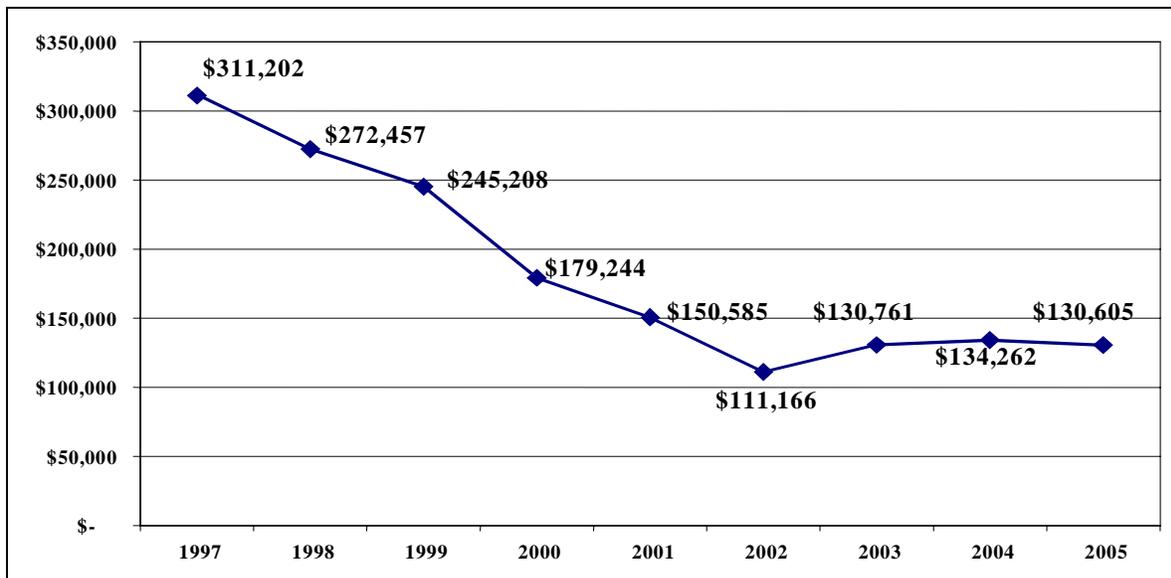
Department of Parks and Recreation
Report No. 06-07, July 2006

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.



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