

**GovGuam Association of Retired Persons  
Servicio Para I Man'Amko (GGARP/SPIMA)  
Bingo Activities**

**Performance Audit**

**February 1, 2004 through September 30, 2006**

**OPA Report No. 07-06  
June 2007**



OFFICE OF THE PUBLIC AUDITOR

**GovGuam Association of Retired Persons  
Servicio Para I Man'Amko (GGARP/SPIMA)  
Bingo Activities**

**Performance Audit  
February 1, 2004 through September 30, 2006**

**OPA Report No. 07-06  
June 2007**

Distribution:

Governor of Guam  
Speaker, 29<sup>th</sup> Guam Legislature  
Senators, 29<sup>th</sup> Guam Legislature  
Director, Department of Public Health and Social Services  
Program Director, GovGuam Association of Retired Persons  
Servicio Para I Man'Amko (GGARP/SPIMA)  
U.S. Department of the Interior  
Office of Inspector General – Pacific Field Office  
Guam Media via e-mail



OFFICE OF THE PUBLIC AUDITOR

**EXECUTIVE SUMMARY**

Department of Public Health and Social Services  
 GovGuam Association of Retired Persons  
 Servicio Para I Man' Amko (GGARP/SPIMA)  
 Report No. 07-06, June 2007

The Office of the Public Auditor initiated a performance audit of the bingo funds at the senior citizen centers, which are managed by the GovGuam Association of Retired Persons Servicio Para I Man' Amko (GGARP/SPIMA). The audit was conducted in response to a request made by a senator in the 28<sup>th</sup> Guam Legislature who expressed concerns about the accountability, maintenance and management of bingo funds.

GGARP/SPIMA, a not-for-profit organization established in June 1969, is contracted by the Department of Public Health and Social Services (DPHSS) to provide social services to the elderly through 12 senior center locations in the northern, central, and southern villages in Guam. Bingo games are played in the senior centers as a recreational activity of the senior participants.

We found that GGARP/SPIMA did not establish adequate control procedures over the cash derived from bingo activities and DPHSS did not provide sufficient oversight to ensure that GGARP/SPIMA's controls are adequate. Specifically, we found that:

- Bingo activities have grown significantly over the last three years without adequate monitoring, oversight, and proper cash reconciliation. Between 2004 and 2006, the aggregate amount of cash collected in bingo activities at the 12 senior centers is estimated at nearly \$2.2 million.<sup>1</sup> See Table 1.

**Table 1: Bingo Revenues, Actual and Projected**

FY	100% Projected Bingo Revenues collected based on deposits	90% Projected Amount disbursed to Winners	(10%) <sup>2</sup> Actual Bingo Deposits
2004 <sup>3</sup>	\$404,660	\$364,194	\$40,466
2005	781,850	703,665	78,185
2006	1,046,760	942,084	104,676
<b>Total</b>	<b>\$2,233,270</b>	<b>\$2,009,943</b>	<b>\$223,327</b>

- DPHSS failed to monitor revenues derived from bingo activities on a regular basis and did not take proactive measures to ensure effective administration and the proper handling of cash generated from bingo games.
- GGARP/SPIMA failed to adequately account for gross bingo revenues. We noted GGARP/SPIMA does not reconcile the gross cash collected from bingo games to the number of bingo cards being played to determine whether the gross amount collected is correct. Between February 2004 and September 2006, the 10% bingo and miscellaneous cash recorded in the collection logs totaled \$297,924; however, bank deposits reflected only \$278,257, a difference of \$19,667 over a 32-month period.

<sup>1</sup> Amount includes miscellaneous donations deposited in the bingo checking account.

<sup>2</sup> 10% represents the cash amount remitted to GGARP/SPIMA administration for deposit in the bingo bank account.

<sup>3</sup> FY 2004 represents a period of 8 months, from February - September; the recording of 10% bingo revenues began in February 2004.

- Basic accounting and internal control policies and procedures for the bingo revenues, such as the reconciliation of bingo revenues collected to bingo cards played, segregation of duties, regular financial reporting, periodic bank reconciliation, and record keeping were insufficient or at times nonexistent. As a result, there is an increased risk of record keeping errors and possible misappropriation and theft in accounting for the \$2.2 million cash receipts handled over the last three years.
- GGARP/SPIMA did not have the appropriate cash verification for seven transactions tested totaling \$299 and did not have the required approval signatures for eight disbursements totaling \$3,794. In addition, we found no supporting documentation for three disbursements totaling \$1,672. Two checks were paid without dual signatures totaling \$880.
- GGARP/SPIMA management inappropriately expended \$3,680 out of the bingo revenues without obtaining approval from the Board or the Senior Citizens Council for an annual senior citizen health fair. Initially, this expenditure was to be paid using grant funds provided by DPHSS, but remains un-reimbursed to the senior citizen bingo account as of the date of this report.
- The checking account established in February 2004 to account for the 10% percent bingo revenues also serves as a checking account for the GGARP/SPIMA administration of the Senior Center Operations (SCO). Although one checking account may be utilized for both activities, ideally, the accounting, reconciling, and reporting of the cash activities should be segregated. Thus, there is a possibility of misusing the 10% collections from the bingo funds for SCO administrative activities.
- GGARP/SPIMA management placed heavy reliance in utilizing a volunteer senior participant to prepare financial reports for the operations of the 12 senior centers. The financial reports were not timely and were not monitored for accuracy by GGARP/SPIMA and DPHSS.

These deficiencies occurred because DPHSS, in its role as the administrator of senior center programs, failed to closely monitor bingo fundraising activities to ensure controls over bingo activities were effective in accounting and recording the bingo revenues.

In addition, GGARP/SPIMA management and staff lacked adequate accounting knowledge and basic understanding of internal controls (i.e. checks and balances) to properly account, record, and report all bingo cash related transactions. GGARP/SPIMA does not utilize any form of accounting software to enter its day-to-day transactions. Established procedures for processing and accounting for revenues and expenditures were not consistently followed. Consequently, necessary and timely financial reports to effectively manage bingo activities were not produced.

Based on our review, we made several recommendations, including independently reconciling daily gross bingo cash collections with the number of cards played per game and requiring that all funds generated through bingo fundraising activities be included in the GGARP/SPIMA annual financial audit.

GGARP/SPIMA and DPHSS generally concurred with the audit findings and recommendations and have taken action to address them. See Appendix 8 and 9 for DPHSS and GGARP/SPIMA's management response.



Doris Flores Brooks, CPA, CGFM  
Public Auditor



OFFICE OF THE PUBLIC AUDITOR

---

---

# Contents

---

---

	Page
<b>Introduction.....</b>	<b>2</b>
Background.....	2
Management of Bingo Activities.....	3
<b>Results of Audit.....</b>	<b>4</b>
Growth of Bingo Revenues.....	5
Statement of Accounts Not Reconciled to Bank Statements.....	6
Weak Controls for Cash Collections.....	7
Lack of Verification of Receipts and Deposits of Net Bingo Revenues.....	9
Unsupported and Unapproved Disbursements.....	10
Improper Handling of Senior Center’s Petty Cash Fund.....	11
Custody of Cash.....	11
Use of Personal Funds.....	11
Record Keeping.....	12
Accounts Receivable to SPIMA Administration.....	12
Accounting of Senior Center Office Funds.....	12
Department of Public Health and Social Services Monitoring Requirements.....	13
Turnover of Management and Operations Personnel.....	14
<b>Conclusion.....</b>	<b>15</b>
<b>Recommendations.....</b>	<b>16</b>
<b>Management’s Response and OPA Reply.....</b>	<b>17</b>
<b>Appendices</b>	
1: Classification of Monetary Impact.....	18
2: Scope and Methodology.....	19
3: Prior Audit Coverage.....	20
4: Operational Flowchart.....	21
5: GGARP Organizational Chart.....	22
6: Checking Account for 10% Net Bingo Revenue & Misc. Donations.....	23
7: Senior Center Operations Balance Sheet FY 2006.....	24
8: DPHSS Management Response.....	25
9: GGARP/SPIMA Management Response.....	29



OFFICE OF THE PUBLIC AUDITOR

---

# Introduction

---

This report represents the results of our audit of the bingo funds at the 12 senior citizens centers, which are managed by the GovGuam Association of Retired Persons Servicio Para I Man'Amko (GGARP/SPIMA). This audit was conducted in response to a request by a senator in the 28<sup>th</sup> Guam Legislature who expressed concerns about the accountability, maintenance, and management of bingo funds at the senior centers. This is the first review of the bingo funds under the purview of GGARP/SPIMA.

The objectives of our audit were to determine whether: (1) bingo funds collected and expended from bingo activities at the senior centers were accounted for with sufficient controls and in accordance with applicable laws and regulations; and, (2) Department of Public Health and Social Services (DPHSS) and SPIMA maintained sufficient oversight over the bingo fundraising activities. The scope, methodology, and prior audit coverage are detailed in Appendices 2 and 3.

## Background



**Image 1:** Guam Association of Retired Persons Offices in Hagatna.

The Division of Senior Citizens (DSC), a division within DPHSS, is the principal advocate for senior citizens throughout the island that plans and develops activities related to the purposes of the Older Americans Act. DSC receives federal grants for aging programs from the U.S. Department of Health and Human Services.<sup>1</sup> GGARP/SPIMA, the service provider, is the sub-recipient of these federal grants.

DSC has contracted Senior Center Operation (SCO) services to GGARP/SPIMA for the past 38 years.<sup>2</sup> Immediately after its formation as a tax-exempt corporation<sup>3</sup> in

June 1969, GGARP established its service component and subsidiary project, Servicio Para I Man'Amko, which means “services for the elderly.” GGARP/SPIMA’s mission is to enable older eligible individuals to attain and maintain physical and mental well-being by addressing their physical, social, psychological, economic, educational, and recreational needs. SCO services are available to individuals age 60 or older and their spouses. Appendix 4 details GGARP/SPIMA’s operational flowchart.

---

<sup>1</sup> CFDA #93.044 Special Programs for the Aging – Title III Part B, Grants for Supportive Services and Senior Centers

<sup>2</sup> The Office of the Public Auditor (OPA) did not review the procurement of GGARP/SPIMA service contract.

<sup>3</sup> GGARP/SPIMA is exempt from Guam income tax and gross receipts tax by the Department of Revenue and Taxation.

## **Organizational Structure**

GGARP currently has eight members on the Board of Directors (Board) who are voted by active members<sup>4</sup> and serve for a three-year term. The Board consists of members whose prior experiences include service as a government Director, School Administrator, Treasurer of Guam, and former senator of the Guam Legislature. The Board elects officers to manage and oversee GGARP/SPIMA's general business and financial affairs. The President appoints GGARP/SPIMA's Program Director.

The Program Director oversees the management of the SCO services. The Program Director's duties and responsibilities include: (1) maintaining detailed records of programs contracted with DPHSS, (2) approving all purchase orders, (3) co-signing all disbursement checks, and (4) reconciling the checking account.

The Program Manager directs the day-to-day activities and operations of the senior centers, as authorized by the Program Director. The Program Manager's duties and responsibilities include: (1) managing overall operations of the 12 senior centers; (2) supervising staff; (3) planning, developing, coordinating, and evaluating programs and activities; and (4) monthly and annual reports. See Appendix 5 for GGARP/SPIMA's organizational chart.

## **Management of Bingo Activities**

Bingo has been a major recreational activity enjoyed by senior citizens for many years and provides the elderly with recreation, socialization, entertainment, and an extra source of income. Bingo also serves as a major fundraising activity for the senior center participants. The SCO program agreement authorizes GGARP/SPIMA to engage in social gambling activities, which is permissible by Guam P.L. 14-140.

In February 2004, the custody of bingo funds was transferred from the individual senior centers to the administration office of GGARP/SPIMA located in Hagåtña. It was at that time that GGARP/SPIMA management implemented policies and procedures to govern the management of bingo funds generated at senior centers.

According to GGARP/SPIMA procedures, at the beginning of each game, the total cash collected is displayed to the participants on a dry-erase board, of which 90% is awarded to the winners. The remaining 10% is remitted to GGARP/SPIMA for deposit into the senior centers' bank account for the use of senior citizens.

Volunteer participants collect bingo revenues according to the number of cards played prior to each game. Each senior center determines the amount charged for each card played, ranging from \$0.50 to \$1.00 per card.

According to GGARP/SPIMA policy, the Program Manager approves all expenditure requests from the senior centers' bingo account. The policy also states that the senior center managers are to comply with established accounting procedures, which require them to verify bingo revenues, petty cash expenditures, and disbursements of bingo funds.

---

<sup>4</sup> GGARP members consist of retirees from the government of Guam and their spouses who attend at least three consecutive general membership meetings per year.

---

# Results of Audit

---

During our review, we found that GGARP/SPIMA did not establish adequate control procedures over the cash derived from bingo activities at the 12 senior citizen centers, and DPHSS did not provide sufficient oversight to ensure that GGARP/SPIMA's controls were effective in accurately accounting and recording bingo fundraising revenues. Specifically:

- Gross cash collected from each bingo game was not reconciled to the number of bingo cards being played. An estimated \$2.2 million in bingo cash may have been handled at the senior centers from February 2004 through September 2006 without proper cash reconciliation procedures. We were unable to verify total cash collected, as Statements of Accounts do not indicate the total cash collected prior to each game.
- The 10% bingo and miscellaneous cash receipts recorded in the Statements of Accounts from February 2004 to September 2006 did not agree with the cash deposits in the bank statements during the same period indicating a lack of regular bank reconciliation. We found that cash receipts totaled \$297,924 over a 32-month period. Bank deposits for that same period of time reported only \$278,257, or a difference of approximately \$20,000.
- The accounting function for the SCO was not assigned to GGARP/SPIMA employees and was instead delegated to a volunteer participant. We found discrepancies in fundraising financial statements prepared by the volunteer who serves as the internal auditor for GGARP/SPIMA.
- GGARP/SPIMA does not utilize any form of accounting software to enter its day-to-day transactions. Instead, it relied on the cumbersome process of manually recording and reporting of bingo funds. Consequently, necessary and timely financial reports to effectively manage bingo activities were not produced. Bingo fundraising activities have been excluded from the annual SCO program financial audit.
- GGARP/SPIMA did not have the appropriate cash verification for seven transactions tested totaling \$299 and did not have the required approval signatures for eight disbursements totaling \$3,794. In addition, we found no supporting documentation for three disbursements totaling \$1,672. Two checks were paid without dual signatures totaling \$880.
- GGARP/SPIMA did not utilize grant funds reimbursed by DPHSS for expenses incurred from an annual senior citizens health fair. Instead, GGARP/SPIMA management expended \$3,680 of bingo revenues without obtaining approval from the Board or the senior citizens council. This expenditure remains un-reimbursed to the senior citizen account as of the date of this report.

These deficiencies occurred because 1) GGARP/SPIMA lacked the adequate accounting knowledge and basic understanding of internal controls (i.e. checks and balances) to properly account, record, and report all bingo cash related transactions, and, 2) DPHSS, in its role as the administrator of senior center programs, failed to closely monitor bingo fundraising activities to ensure controls over bingo activities were effective in accounting and recording the bingo revenues.

Additionally, established procedures for processing and accounting for revenues and expenditures were not consistently followed. As a result, the bingo activities were operated with an increased risk of misappropriation or errors of bingo cash collections, which involved an estimated gross amount of \$2.2 million being handled at the senior centers.

### **Growth of Bingo Revenues**

Although GGARP/SPIMA did not maintain records to document the gross bingo revenues collected, we were able to estimate gross collections based upon the net revenue (10% retained) reported in the Statements of Accounts. Assuming all net bingo revenue was properly deposited, we estimate that a total of approximately \$2.2 million in gross bingo revenues was collected, prior to winner payout from the 12 senior centers over the 32-month scope period based on the 10% net revenue reported in the Statements of Accounts<sup>5</sup> provided by GGARP/SPIMA. See Table 1 for details.

**Table 1: Bingo Revenues, Actual and Projected**

FY	100% Estimated Bingo Revenues collected based on deposits	90% Estimated Amount Disbursed to Winners	(10%) Net Bingo Revenues Remitted to GGARP/SPIMA <sup>6</sup>
2004	\$404,660	\$364,194	\$40,466
2005	781,850	703,665	78,185
2006	1,046,760	942,084	104,676
<b>Total</b>	<b>\$2,233,270</b>	<b>\$2,009,943</b>	<b>\$223,327</b>

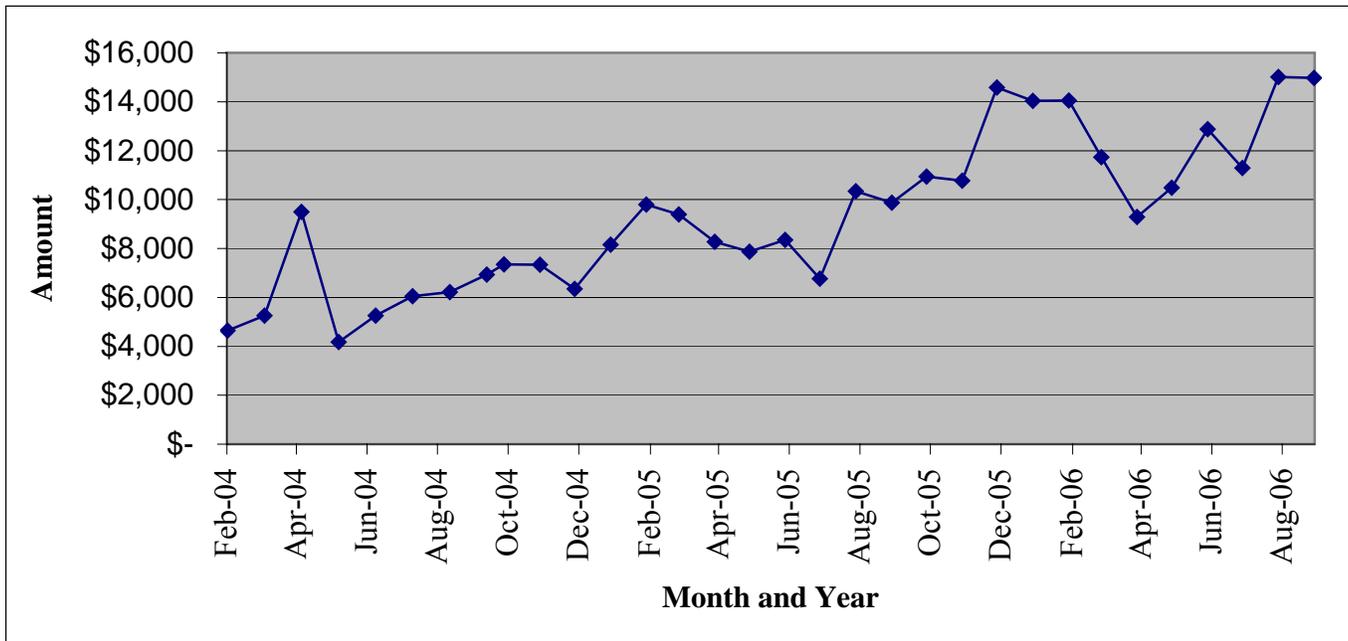
The annual bingo cash receipts increased by 93% from fiscal years (FY) 2004<sup>7</sup> to 2005, and by 34% from FY 2005 to 2006. Since the inception of the policy governing bingo funds in February 2004, the 12 senior centers raised approximately \$298,000 over a 32-month period, of which \$223,327 represents 10% net bingo revenues and \$74,598 represents the miscellaneous donations. See Chart 1 for the revenue trend.

<sup>5</sup> The Statement of Accounts is a monthly report prepared by the SCO Administration Office detailing the daily fundraising cash receipts, expenditures and balance for each senior center. This report was initiated in February 2004.

<sup>6</sup> 10% Net Revenue represents the cash amount remitted to GGARP/SPIMA administration for deposit in the seniors' bingo bank account. \$223,327 represents the net bingo revenue at the 12 senior centers from 2004 to 2006, as reported in the Statements of Accounts.

<sup>7</sup> FY 2004 represents a period of 8 months, from February - September; the recording of 10% bingo revenues began in February 2004.

**Chart 1: 10% Net Bingo Revenues & Misc. Donations FY 2004 - FY 2006**



It is the responsibility of GGARP/SPIMA management to maintain an effective control structure and evaluate the effectiveness of controls on a regular basis. Despite the large amount of cash being generated, GGARP/SPIMA management did not have controls in place for the safekeeping of cash and for providing an accounting of bingo and other revenues generated.

**Statement of Accounts Not Reconciled to Bank Statements**

It is GGARP/SPIMA’s responsibility to establish policies and procedures to safeguard the organization’s assets, report all financial activities, provide for sufficient record keeping, and to perform timely reconciliations of cash balances. Reconciliation by an individual independent of the handling or recording of cash receipts and disbursements is an essential control over the cash.

GGARP/SPIMA failed to adequately account for bingo revenues. Based on the combined 10% revenue and miscellaneous donations reported in the Statements of Accounts provided by GGARP/SPIMA, cash receipts totaled \$297,924 over a 32-month period; however, the bank deposits for that same period of time reported only \$278,257, or a difference of approximately \$20,000. See Table 2 for details.

**Table 2: Variance of Net Bingo Revenues & Misc. Donations to Bank Deposits 2004 to 2006**

Fiscal Year	Per monthly statement of accounts*	Per Bank Deposits (Includes misc. donations)	Shortage Unexplained
2004	\$ 48,025	\$ 46,638	\$ 1,387
2005	\$ 99,852	\$ 89,579	\$ 10,273
2006	\$ 150,047	\$ 142,040	\$ 8,007
<b>Total</b>	<b>\$ 297,924</b>	<b>\$ 278,257</b>	<b>\$ 19,667</b>

\*Submitted by the 12 Senior Center Operations

The Program Director indicated that GGARP/SPIMA does not perform regular reconciliation of revenues collected per Statements of Accounts to deposits per bank statements. Had this verification process been done on a regular basis, the \$19,667 difference noted above may have been discovered. With the lack of bank reconciliation for cash transactions derived from bingo fundraising activities, the risk of accounting errors and possible misappropriation is high.

GGARP/SPIMA's staff has limited knowledge and experience in accounting and the organization inappropriately relied on the services of a volunteer senior participant to perform the accounting for the 12 senior centers and prepare the financial reports. The volunteer does not answer to management or the board, and the work completed by the volunteer is not held to any performance standards. Therefore, corrective action cannot be taken in regards to this individual if work is not performed accurately or timely.

We found discrepancies in the FY 2006 annual financial report prepared by the volunteer. The \$78,298 cash balance reported in the balance sheet did not agree with the \$67,105 cash balance reported in the statement of revenues and expenditures<sup>8</sup>, a variance of \$11,193. We also found that the statements prepared by the volunteer auditor were approved by the Program Director in spite of the discrepancies. See Appendix 7 for details.

Additionally, we noted GGARP/SPIMA does not utilize accounting software, such as QuickBooks or an equivalent, which support routine financial reporting and bank reconciliations over the bingo cash balances. Cash transactions are accounted for as single entry transactions in Microsoft Excel spreadsheets rather than double entry transaction postings in books of original entry.<sup>9</sup>

We recommend that GGARP/SPIMA update accounting procedures to include bank reconciliation. Management should also provide accounting training for employees to perform the bookkeeping duties of the bingo revenues. GGARP/SPIMA fundraising revenues should be reported monthly to the Board of Directors and be reviewed periodically by the DPHSS. DPHSS should carefully analyze the financial reports submitted to them for discrepancies.

The GGARP/SPIMA program manager has acted upon these deficiencies and is considering hiring a bookkeeper to account for bingo revenues, as well as utilizing appropriate accounting software for reporting.

### **Weak Controls for Cash Collections**

Cash by its very nature is highly susceptible to error and misappropriation and requires greater oversight and controls. It is GGARP/SPIMA's responsibility to establish policies and procedures to safeguard the organization's assets. This includes providing sufficient

---

<sup>8</sup> Three amendments to this report have so far been submitted and approved by the Program Director as of May 10, 2007.

<sup>9</sup> Books of original entry are accounting journals in which financial transactions are initially recorded using a double entry accounting system where every transaction is recorded by entries in at least two accounts, a debit value and a credit value.

control activities such as adequate record keeping, segregation of duties and financial reporting. As a contracted service provider to the government of Guam, GGARP/SPIMA is required to account for all revenues and expenditures.



**Image 2:** Volunteer Cash Collector handling cash for Bingo Games

Control activities should include procedures to ensure that the gross cash collected is reconciled to the number of cards played per game. This would ensure that the gross amount of cash collected is fully accounted for. The 90% cash payouts should also be recorded as a method to verify the accuracy of the 10% reported to GGARP/SPIMA.

We found weak controls over the cash handling of bingo revenues, including:

- GGARP/SPIMA management had no records of the actual amount of gross bingo revenues collected at the senior centers during the period from February 2004 to September 2006, compromising the accuracy and validity of the reported bingo revenues. We estimated \$2.2 million in gross bingo cash was collected based on the 10% amounts reported in the statement of accounts.
- Of the total revenues collected daily, only the 10% amount is recorded in the Statement of Accounts and totaled at the end of the day. Consequently, the audit trail is lost once the next bingo game is played.
- During a site visit to one of the senior centers, we observed that only one volunteer collects cash prior to each game. Although the gross amount collected is publicly displayed on a dry-erase board, a second person does not record the number of cards being played in a log to ensure that the gross cash collected is reconciled to the number of cards played per game.
- Bingo sheets are not numerically sequenced and accounted for. Players are also permitted to bring in their own cards. The Program Director indicated there were instances where bingo sheets have been altered by players. If logs are not maintained for each game indicating the number of cards and the gross amount collected per game, reconciliation is difficult and there is a higher probability that cash collections may be misstated.

We recommend GGARP/SPIMA establish control activities to include segregation of duties between two volunteers involved in the cash collection procedure for each game. One volunteer should collect the cash and the other should record the number of cards played in a logbook. The volunteers should then ensure that the cash collected agrees with the number of cards being played. Upon reconciliation, the gross amount of cash

collected should be recorded in the log, as well as the 90% amount paid out to the winners and the 10% net bingo revenue to be deposited to the senior center's bank account. The senior center manager should then review the logbook for accuracy and completeness and sign off. As an added control, the winners should sign for the winnings received and pre-numbered triplicate official receipts should be issued. The original receipt should be provided to the winner, one copy retained by the senior center managers, and one copy maintained for file at GGARP/SPIMA administration office.

### **Lack of Verification of Receipts and Deposits of Net Bingo Revenues**

According to the GGARP/SPIMA procedures governing the senior centers' bingo fundraising funds, each center shall be responsible for collection of the funds and the daily completion of revenue and expenditure reports. Each center manager and elected center council officer are required to sign the reports after verifying the accuracy of the monies and prior to submitting to the GGARP/SPIMA administration office for deposit.

Upon submission to the GGARP/SPIMA administration office, a second cash verification is performed by GGARP/SPIMA administration staff. Net revenues generated from bingo games are recorded daily and cumulative deposits are then made.

From February 2004 to September 2006, a total of \$297,895 was reported in the net bingo statement of accounts. We tested 24 cash receipt transactions totaling \$2,089 and found that seven transactions, or 29% of our sample did not comply with the cash verification procedures for bingo. Specifically, two cash receipts did not have evidence of any verification, two did not have evidence of the senior center managers' verification, and three did not have evidence of a second verification by the administration office. See Table 3 for details.

**Table 3: Cash Receipts Not Verified**

Senior Center	Report Date	Amount	Exception To Testing	
			No Cash Verification by Center	No Second Cash Count Verification at GGARP/SPIMA Admin. Office
Inarajan	2-Jun-04	19.75	√	
Mangilao	17-Mar-04	37.75	√	√
Sinajana	5-Mar-04	19.35	√	√
Yona	23-Apr-04	23.40	√	
Dededo	10-Feb-05	38.00		√
Tamuning	19-May-05	77.00		√
Yigo	1-Dec-05	83.95		√

\$ 299.20

We were unable to verify whether the 24 transactions tested were deposited in full to the bank because GGARP/SPIMA does not provide a breakdown of the total amount deposited per center in the deposit tickets. Rather, GGARP/SPIMA records the aggregate amount of the 12 centers and deposits the money between one to three days after receipt from the centers.

Both the senior center manager and GGARP/SPIMA failed to follow established procedures for cash collections. By failing to obtain dual verification for cash collections at the center, and perform a second verification, the amount of \$299 in Table 3 was not verified. Based on our findings from the sample transactions tested, we believe there is little assurance the bingo monies collected are deposited in full and reported accurately.

Additionally, the Program Manager informed us that the transfers of bingo revenues by certain centers are completed via “connecting flights.” GGARP/SPIMA personnel refer to the term connecting flights when one center representative collects funds from other centers and drop the collections to the GGARP/SPIMA administration office for deposit.

We recommend that senior center managers follow established procedures for cash collections. We also recommend that GGARP/SPIMA document the breakdown of daily deposit tickets by center to provide a sufficient audit trail. Absent this trail, proper review for accuracy and completeness cannot occur.

### **Unsupported and Unapproved Disbursements**

Senior centers expend from their bingo account for their social events, such as luncheons and parties. On occasion, expenditures for social events, such as luncheons and parties, exceed petty cash limits. Therefore, senior centers request the GGARP/SPIMA administration office to withdraw from the bingo bank account. Senior centers submit a request to withdraw form to the GGARP/SPIMA administration office. Prior to submission, the request form is required to be reviewed for both reasonableness and completeness in terms of amount, justification, approvals, receipts and other supporting documents, as well as the signatures of two Senior Center Council Officers and the center manager.

We found that senior center managers and GGARP/SPIMA administration failed to follow established procedures for disbursements. We reviewed 25 disbursements totaling \$10,841 from February 2004 through September 2006 and noted the following:

- Eight disbursements totaling \$3,794 did not have the required approval signatures.
- Three disbursements totaling \$1,672 were not supported by receipts. The disbursements were made for a catering service, bus rental, and a petty cash replenishment.
- Two disbursements totaling \$880 were made without dual signatures on the checks by GGARP/SPIMA administration.

We recommend that the GGARP/SPIMA Program Manager not process any disbursements unless the requirements are met. The SPIMA Program Manager span of control for approving disbursements can be difficult to manage with 12 satellite senior centers. However, the Program Manager should implement periodic performance evaluation of center managers to assist in a more effective management of the senior centers. GGARP/SPIMA management should remind the bank not to pay checks without dual signatures.

## **Improper Handling of Senior Center's Petty Cash Fund**

GGARP/SPIMA established petty cash funds at each senior center to facilitate the purchases of snacks, small item goods and supplies. In accordance with the established bingo policy, small senior centers carry a petty cash fund balance of \$200, medium centers maintain \$400, and large centers can maintain \$800 in petty cash. A volunteer senior center treasurer is the custodian of the petty cash fund, an individual elected by the senior participants.

We conducted unannounced cash counts at three senior centers - Astumbo, Agana Heights, and Yona/Talofofa. We found overages in Astumbo and Agana Heights amounting to \$4.49 and \$1.99 respectively. While only a small amount was determined to be an overage, we noted several areas where improvements can be made regarding: (1) custody of cash; (2) use of personal funds; and (3) record keeping.

### **Custody of Cash**

According to the GGARP/SPIMA policy, the responsibility of safekeeping and accounting for petty cash is assigned to the treasurer of each senior center.

In our unannounced petty cash count at the Astumbo senior center, we witnessed the center manager transfer the custody of cash to the volunteer treasurer upon our arrival. It appeared that the senior center manager had custody of the petty cash fund. The treasurer who was elected to handle the funds was unable to accurately perform the cash count in our presence.

In our site visit to the Yona/Talofofa senior center, the center manager indicated that petty cash responsibilities are frequently transferred to the center manager for extended periods if the elected volunteer treasurer leaves for vacation. The Program Director indicated that oftentimes the center manager has to assume responsibilities of the cash and record keeping because the volunteer treasurer is either unable to perform the required duties, or has resigned from the position. As a result, the established policy is undermined and there is inconsistency with the custody of the petty cash.

### **Use of Personal Funds**

The purpose of maintaining a petty cash fund is to facilitate small purchases without writing a check or using personal funds.

We were informed by senior center managers that the volunteer treasurers or the center managers occasionally expend personal funds because of the time lag for reimbursements by the GGARP/SPIMA administration office. The use of personal funds can result because petty cash fund balances may be insufficient.

The GGARP/SPIMA Program Manager should review the frequency of reimbursements to determine whether the petty cash amounts are sufficient for the size of the senior center, thus avoiding the use of personal funds by senior center personnel.

### **Record Keeping**

When expending petty cash for purchases, the custodian should attach the receipt for the purchase to a petty cash voucher. Each expenditure voucher should then be logged in a petty cash replenishment report.

During our visits to the three senior centers, the Yona/Talofofa senior center was unable to provide a petty cash replenishment report. The senior center manager explained that these reports are sent to the administration office and the center does not maintain copies on file. Senior centers should maintain their own petty cash records on file to facilitate reconciliation if discrepancies arise.

We recommend GGARP/SPIMA transfer the custody of the petty cash fund to the senior center managers, who are more able to serve as the custodian and accurately account for expenditures and reimbursements. Additionally, GGARP/SPIMA and DPHSS should both monitor the petty cash funds of the senior centers by conducting unannounced cash counts on a periodic basis.

### **Accounts Receivable to SPIMA Administration**

In July 2004, the GGARP/SPIMA administration incurred hotel expenses for an annual senior citizens health fair totaling \$3,680. Because these expenses were related to the health and nutritional well-being of senior citizens, the expenses were to be paid from federal funds.

GGARP/SPIMA did not utilize Federal grant funds reimbursed by DPHSS for the hotel expenses. Instead GGARP/SPIMA expended, without prior Board approval, the money the senior centers generated from bingo games. The senior centers have yet to be reimbursed for this amount. A balance of \$3,680 has since been recorded as an accounts receivable from GGARP/SPIMA in the SCO financial report since July 2004, and remains outstanding as of the date of this report. Although the Program Director may have acted in the best interest of the seniors, he did so without first obtaining approvals from the senior participants and the GGARP Board. This situation demonstrates DPHSS' failure in its oversight. Had the agency reviewed the financial reports, it would have identified that a receivable has been outstanding since 2004.

We recommend GGARP/SPIMA fully reimburse \$3,680 to the senior citizen account, and management report this issue to the Board of Directors and DPHSS. DPHSS should ensure that the reimbursement is made. If reimbursement is not possible, we suggest that the amount be written-off and allocated among the 12 senior centers with the approval of the Board of Directors.

### **Accounting of Senior Center Office Funds**

Because of the magnitude of accounting for 12 senior centers and the assignment of specific responsibilities, it is important that the revenues and expenditures be segregated by center. GGARP/SPIMA should ensure that its system has the capability of accounting for the activities of the 12 senior centers separately, accurately, and efficiently.

We found that the checking account established to account for the 10% net bingo revenues also serves as a checking account for GGARP/SPIMA administration of the

SCO.<sup>10</sup> GGARP/SPIMA's administration uses the bingo checking account to pay for miscellaneous items, such as supplies, keys, Christmas parties, raffle prizes, etc.

We noted that GGARP/SPIMA staff also conducts bingo games which generate revenues in the senior centers after normal bingo hours. There were also monetary donations received through drop boxes at each senior center and through GGARP/SPIMA employee donations. The monies from these bingo games and donations were not accounted separately from the 10% net bingo revenue. Rather, the monies were accounted in the same checking account used for GGARP/SPIMA administration of the Senior Center Operations. The Program Director indicated that although the money in this account is used for various events such as the SCO employee parties, the senior citizens are invited to attend.

Because there are already inaccuracies in the accounting for the senior centers' bingo activities, there is further risk to the senior's funds if GGARP/SPIMA utilizes the same checking account for the organization's own activities.

While other fundraising activities to further augment the social and recreational needs of the senior citizens may occur, we recommend that GGARP/SPIMA obtain documented authorization from the Board, DPHSS and the Department of Revenue & Taxation, to conduct such fundraising activities. According to the acting Program Manager<sup>11</sup>, DPHSS was made aware of fundraising activities on behalf of the GGARP/SPIMA administration.

## **Department of Public Health and Social Services Monitoring Requirements**

Since 1969, DPHSS Division of Senior Citizens has contracted GGARP/SPIMA to provide social services for the elderly. The contract with GGARP/SPIMA specifies the requirements of managing the senior center operations and the monitoring responsibilities of DPHSS. The contract states that the service provider, GGARP/SPIMA is to resolve any complaints, problems, and concerns of the senior participants. If the service provider is not able to quickly resolve the issue, DPHSS is to assist the service provider in resolving the situation. The contract requires GGARP/SPIMA to submit monthly reports to DPHSS, which includes details of bingo fundraising revenues and expenditures.

Although GGARP/SPIMA has included bingo fundraising financial information in the monthly reports submitted to DPHSS, accounting inaccuracies and an outstanding accounts receivable went unnoticed. Senior participants indicated that the concerns over the accountability of the bingo funds have existed for years.

DPHSS indicated that as the contracted service provider, GGARP/SPIMA is responsible for the monitoring and safeguarding of bingo funds and this may be the reason DPHSS did not monitor the organization's accounting records and did not assist in resolving the outstanding accounts receivable.

---

<sup>10</sup> OPA did not review the control over the GGARP/SPIMA's management of the SCO fund balance.

<sup>11</sup> In December 2006, the Program Manager became the acting Program Director and another GGARP/SPIMA employee became the acting Program Manager.

We recommend that DPHSS monitor complaints and review GGARP/SPIMA management's explanation for unresolved complaints. In addition DPHSS should examine the monthly financial information submitted to them from GGARP/SPIMA for accuracy, as well as perform unannounced visits to the senior centers to ascertain if controls over bingo activities and resources are sufficient.

The GGARP/SPIMA annual financial audit excludes bingo revenues generated from the senior centers. To improve accountability over bingo funds we recommend DPHSS require GGARP/SPIMA to have the bingo funds be reviewed as part of the annual financial audit. We recommend that DPHSS monitor bingo activities more closely to ensure that efficient fiscal operations and accounting for federal funding are not compromised.

### **Turnover of Management and Operations Personnel**

Three employees of GGARP/SPIMA who had access to bingo cash and records resigned during FY 2006. The former employees were two administrative officers, one of whom had been an employee for 18 years, as well as a program coordinator who had been employed for seven years. During our audit, the Program Director who had oversight on the management of Senior Center Operations for 24 years also resigned.

We found that there were inadequate accounting and recording processes in place to efficiently manage the turnover and transition of the SCO administration staff. Vast institutional knowledge left the organization with the recent turnover.

We urge GGARP/SPIMA to follow accounting processes to ensure that efficient fiscal operations continue with minimal disruption when turnover occurs. DPHSS should monitor this process more closely to ensure GGARP/SPIMA operations are adequate and have the necessary controls over bingo and other fundraising activities.

---

---

# Conclusion

---

---

Our audit disclosed that GGARP/SPIMA did not establish adequate control procedures over the cash collected from bingo activities. Bingo revenues collected and expended by GGARP/SPIMA were not properly accounted for and reported in accordance with applicable policies and procedures. DPHSS did not provide sufficient oversight to ensure that GGARP/SPIMA's control procedures are adequate and complied with.

We found that GGARP/SPIMA does not have complete accounting policies and procedures in place to serve as a guideline for proper cash management. Accounting policies need to be updated, to include timely reconciliation of cash, a detailed breakdown of senior center bank deposits, and monitoring and recording of bingo games.

Some of the weaknesses and concerns, which require immediate attention and oversight by GGARP/SPIMA, are:

- The assignment of cash handling responsibilities to personnel with limited fiscal experience or understanding;
- The fragmentation of cash handling functions which makes monitoring the cash management process difficult;
- The inherent risk of loss, or opportunity for personal gain, created by the nature of cash transactions;
- The prevalence of the high turnover rate of operating personnel and supervisors in cash management functions;
- The absence of an adequate accounting system to record and report financial transactions of bingo activities.

During the 32-month audit period, GGARP/SPIMA cash collections derived from the 10% net bingo revenue totaled \$223,327 which indicate at least \$2.2 million may have been exchanged at the senior centers. The cash balance of bingo funds has steadily grown over the last three years and require stricter accounting and reporting guidelines of the funds.

---

---

# Recommendations

---

---

## **Recommendations to the GovGuam Association of Retired Persons/Servicio Para I Man'amko:**

1. Establish control procedures over bingo activities, to include the following:
  - a. Update accounting procedures to include the logging and timely reconciliation of gross bingo cash collections, the recording and accounting for the disbursement of the 90% bingo winnings and the timely reconciliation of the 10% net bingo revenue deposits.
  - b. Independently reconcile the daily bingo total cash collected with the number of cards played per game.
  - c. Document the breakdown of daily deposit tickets by the 12 senior centers to provide a complete and accurate reporting of cash deposits.
  - d. Issue pre-numbered triplicate receipts per game and require the signature of each bingo winner as evidence of receipt of the winnings; and maintain one copy for the senior center managers and one copy at the GGARP/SPIMA office.
  - e. Transfer the custody of the petty cash fund to the senior center managers and monitor the petty cash funds of the senior centers by conducting unannounced cashed counts on a periodic basis.
  - f. Use of an accounting system that records all financial transactions; perform timely bank reconciliation of the 10% net bingo revenue monies, and provide training for employees who perform the bookkeeping duties of the bingo revenues.
2. Reimburse \$3,680 to the senior citizens' bank account, and report this issue to DPHSS and the Board of Directors.
3. Obtain DPHSS and DRT approval to conduct bingo activities other than those regularly conducted for the senior citizens.

## **Recommendation to the Department of Public Health and Social Services:**

4. DPHSS should review the accuracy of monthly financial reports for bingo revenues, monitor complaints, review GGARP/SPIMA management's explanation for unresolved complaints, and perform unannounced visits to the senior centers to ascertain if controls over bingo activities are sufficient.
5. Require GGARP/SPIMA to have bingo funds reviewed as part of the annual financial audit.

---

---

# Management's Response and OPA Reply

---

---

We met with GGARP/SPIMA and DPHSS officials on June 6, 2007 to discuss the draft report transmitted on June 1, 2007. The OPA provided GGARP/SPIMA and DPHSS time to meet, discuss the report and prepare their managements responses on June 13, 2007.

GGARP/SPIMA and DPHSS generally concurred with the audit findings and recommendations, and have taken action to address recommendations. See Appendix 8 and 9 for DPHSS and GGARP/SPIMA's Management Response.

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 of 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 GGARP/SPIMA to establish the target date and title of the official responsible for implementing the recommendations.

We appreciate the cooperation shown by the staff and management of GGARP/SPIMA and DPHSS during our review.

OFFICE OF THE PUBLIC AUDITOR



Doris Flores Brooks, CPA, CGFM  
Public Auditor

---

**Appendix 1:**  
**Classification of Monetary Impact**

---

<u>Finding Area</u>	<b>Questioned Costs</b>		
	<u>Revenue/Cost Exceptions</u>	<u>Unsupported Revenue/Costs</u>	<u>Total</u>
Unexplained shortage of net bingo funds	\$ -	\$ 19,667	\$ 19,667
Unverified bingo cash collections from senior centers	\$ 299	\$ -	\$ 299
Disbursement without approval of Senior Center Manager	\$ -	\$ 3,794	\$ 3,794
Disbursements not supported by receipts	\$ -	\$ 1,672	\$ 1,672
Disbursements without proper approval	\$ -	\$ 880	\$ 880
Accounts receivable due from GGARP/SPIMA administration	\$ 3,680	\$ -	\$ 3,680
<b>Totals</b>	<b>\$ 3,979</b>	<b>\$ 26,013</b>	<b>\$ 29,992</b>

---

---

**Appendix 2:****Scope and Methodology**

---

---

The audit scope included the review of GGARP's by-laws, articles of incorporation, prior audits, checking account, bank related documents, and other relevant documents pertaining to the SPIMA program. The audit scope period was from February 1, 2004 through September 30, 2006.

The audit methodology included interviews, observations, tests of transactions, and visits to certain senior citizen centers to gain an understanding of the HHS Federal grant requirements and GGARP/SPIMA's policies and procedures relating to the administration of the contracted services between DPHSS and GGARP/SPIMA. We reviewed controls over cash transactions (i.e. receipts and disbursements) and controls over the handling and recording of petty cash funds. We did not review Federal grants awarded under the auspices of Title III, Older Americans Act.

From the period of February 2004 to September 2006 we reviewed the following:

- Statement of Accounts totaling \$297,924.
- 24 cash receipt transactions amounting to \$2,089 were tested to determine whether receipts were accurately accounted for, recorded, and deposited.
- 25 cash disbursement transactions totaling \$10,841 were tested to determine if disbursements were duly authorized, recorded and documented.
- Conducted surprise cash counts for three senior citizens centers.
- Observed the cash handling on bingo games at the Tamuning, Agat and Dededo Senior Center.

We used the Random Number Generator Statistical Sampling Tool, to determine our sampled population dates. Internal control weaknesses were identified and are discussed in the results of audit section of the report.

Our audit was conducted in accordance with the standards of performance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

---

---

**Appendix 3:**  
**Prior Audit Coverage**

---

---

**Audited Financial Statement Reports**

We reviewed the audited Financial Statements of GGARP/SPIMA from FY 2003 through 2005 and found the following:

In FY 2001, \$103,192 was a questioned cost regarding the lack of significant procurement history for the purchase of two minivans and a van. The finding remains unresolved as of the FY 2005 audit.

Bingo revenues were not included in the annual audited financial statements of GGARP/SPIMA.

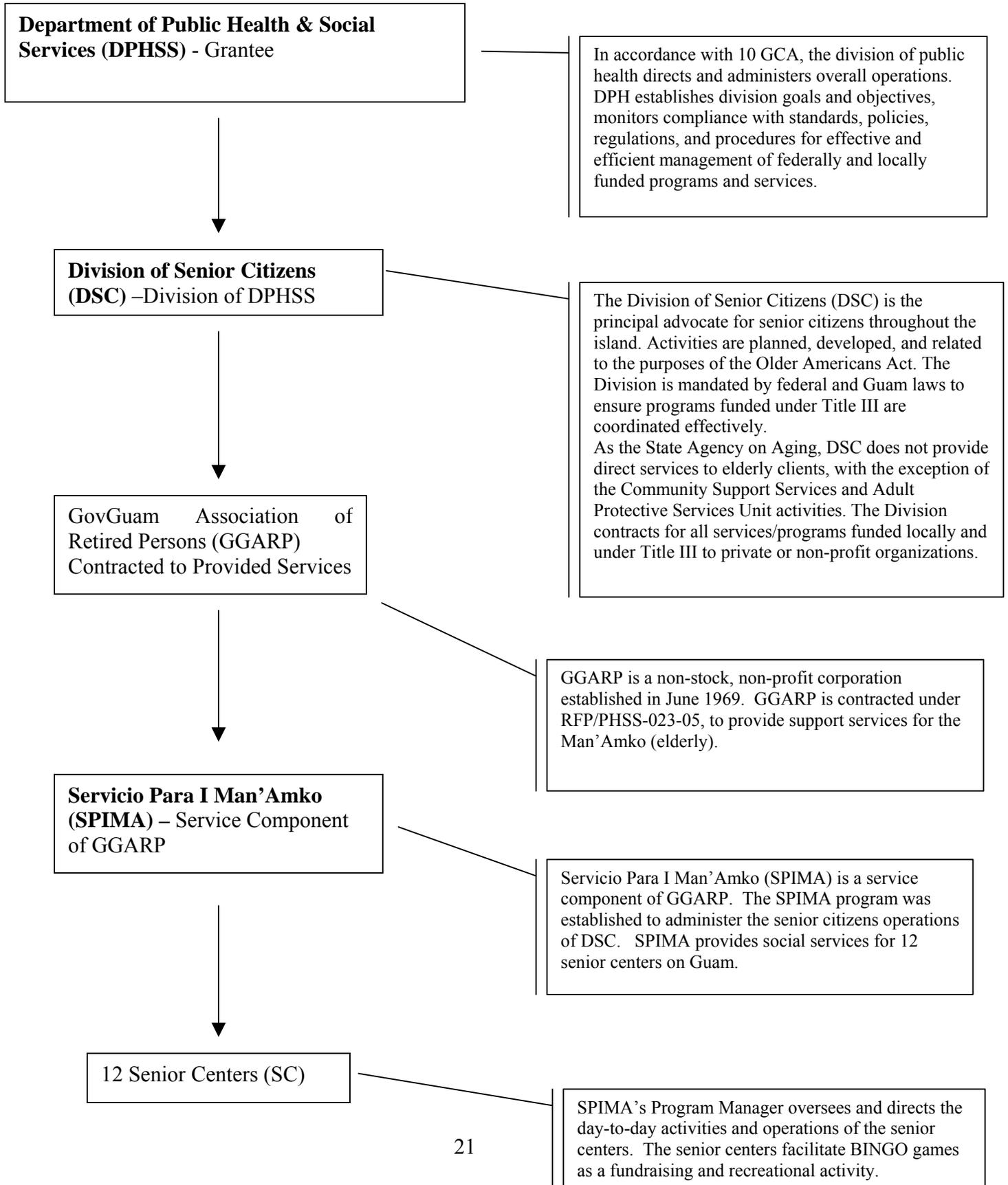
**Table 1: Summary of Grant Revenues and Other Revenues**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Grant Revenues</b>			
Senior Center Operations	\$ 1,104,294	\$ 1,100,742	\$ 984,006
Transportation Services	959,167	1,140,660	1,061,883
Grants Subtotal:	2,063,461	2,241,402	2,045,889
<b>Other Revenues</b>			
Fundraising Activities <sup>12</sup>	\$ 85,314	\$ 99,335	\$ 117,754
Miscellaneous Revenue	53,570	-	-
Other Revenues Subtotal:	138,884	99,335	117,754
<b>TOTAL:</b>	<b>\$ 2,202,345</b>	<b>\$ 2,340,737</b>	<b>\$ 2,163,643</b>

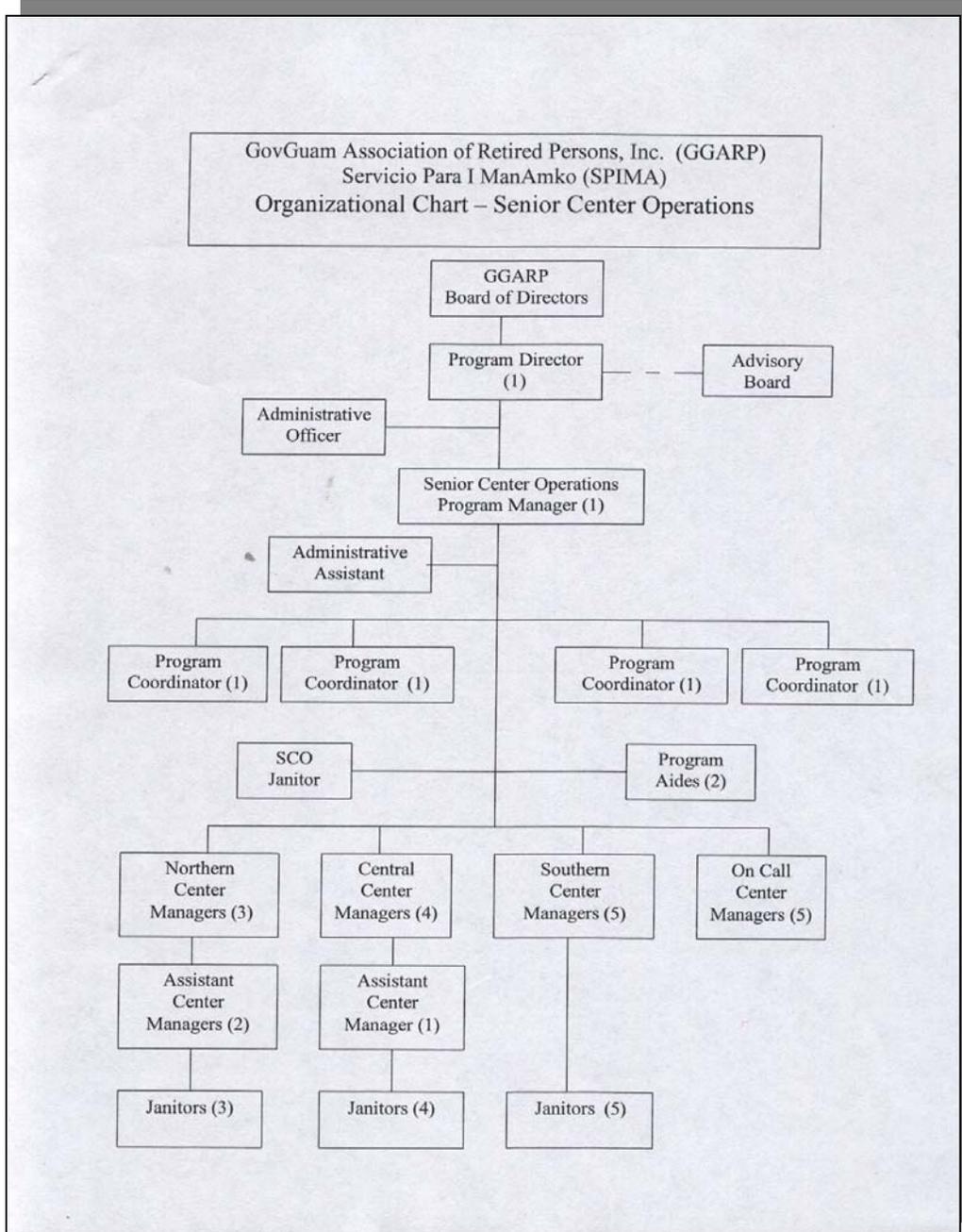
---

<sup>12</sup> The amount consists mainly of Rai Yan Lai Raina fundraising revenues; this activity shall be audited in a separate engagement.

## Appendix 4: Operational Flowchart



**Appendix 5:**  
**GGARP Organizational Chart<sup>13</sup>**



<sup>13</sup> Source: GGARP/SPIMA Administration Office.

**Appendix 6:**  
**Checking Account for 10% Net Bingo Revenue<sup>14</sup> & Misc. Donations**

	Statement Date	Beginning Balance	Receipts	Disbursements	Ending Balance
FY 2004	February 1 - 29, 2004	\$ 0-	\$ 4,322.96	\$ 5.00	\$ 4,317.96
	March 1 - 31, 2004	4,317.96	5,181.80	134.86	9,364.90
	April 1 - 30, 2004	9,364.90	9,184.96	1,922.51	16,627.35
	May 1 - 31, 2004	16,627.35	4,338.96	3,908.07	17,058.24
	June 1 - 30, 2004	17,058.24	5,336.85	2,684.29	19,710.80
	July 1 - 31, 2004	19,710.80	5,285.55	3,849.91	21,146.44
	August 1 - 31, 2004	21,146.44	6,059.87	7,510.25	19,696.06
	September 1 - 30, 2004	19,696.06	6,926.67	4,356.16	22,266.57
	<b>TOTAL FY 2004</b>		<b>\$ 46,637.62</b>	<b>\$ 24,371.05</b>	
FY 2005	October 1 - 31, 2004	\$ 22,266.57	\$ 7,401.38	\$ 4,531.79	\$ 25,136.16
	November 1 - 30, 2004	25,136.16	6,855.41	6,840.38	25,151.19
	December 1 - 31, 2004	25,151.19	7,856.48	8,099.64	24,908.03
	January 1 - 31, 2005	24,908.03	6,802.59	5,556.59	26,154.03
	February 1 - 28, 2005	26,154.03	6,866.36	5,569.60	27,450.79
	March 1 - 31, 2005	27,450.79	6,447.99	3,638.64	30,260.14
	April 1 - 30, 2005	30,260.14	6,593.10	4,626.68	32,226.56
	May 1 - June 1, 2005	32,226.56	8,136.33	4,106.12	36,256.77
	June 2 - 30, 2005	36,256.77	7,697.66	5,090.44	38,863.99
	July 1 - 31, 2005	38,863.99	6,586.55	6,689.38	38,761.16
	August 1 - 31, 2005	38,761.16	9,867.17	8,645.64	39,982.69
	September 1 - 30, 2005	39,982.69	8,468.34	6,158.28	42,292.75
	<b>TOTAL FY 2005</b>		<b>\$ 89,579.36</b>	<b>\$ 69,553.18</b>	
FY 2006	October 1 - 31, 2005	\$ 42,292.75	\$ 10,598.28	\$ 6,589.67	\$ 46,301.36
	November 1 - 30, 2005	46,301.36	10,152.64	7,064.18	49,389.82
	December 1 - 31, 2005	49,389.82	14,924.49	14,919.54	49,394.77
	January 1 - 30, 2006	49,394.77	11,120.47	5,918.60	54,596.64
	January 31 - Feb. 28, 2006	54,596.64	10,822.79	9,867.02	55,552.41
	March 1 - 31, 2006	55,552.41	10,303.04	10,174.01	55,681.44
	April 1 - 30, 2006	55,681.44	8,959.38	8,399.68	56,241.14
	May 1 - 31, 2006	56,241.14	10,353.40	9,085.69	57,508.85
	June 1 - 30, 2006	57,508.85	12,556.30	7,731.77	62,333.38
	July 1 - 31, 2006	62,333.38	11,029.73	5,769.78	67,593.33
	August 1 - 31, 2006	67,593.33	15,124.61	9,685.48	73,032.46
	September 1 - 30, 2006	73,032.46	16,094.57	10,828.56	78,298.47
	<b>TOTAL as of June 2006</b>		<b>\$ 142,039.70</b>	<b>\$ 106,033.98</b>	
<b>GRAND TOTAL:</b>		<b>\$ 278,256.68</b>	<b>\$ 199,958.21</b>		

<sup>14</sup> Source: GGARP/SPIMA bank statements.

Appendix 7:

Senior Center Operations Balance Sheet FY 2006<sup>15</sup>

GGARP-SPIMA SENIOR CENTER OPERATIONS						
P.O. Box 3057 Hagatna, Guam 96932						
FY 2006 FINANCIAL STATEMENT						
BALANCE SHEET, <span style="float:right">Amended</span> ANNUAL REPORT "NON-PROFIT OPERATIONS"						
<b>ASSETS</b>						
CASH IN THE BANK (Checking account at Bank Pacific)			\$78,298.47			
PETTY CASH on hand for 12 Senior Centers			\$5,200.00			
ACCOUNTS RECEIVABLE (SPIMA Administration)			\$3,679.75			
					<b>TOTAL</b>	<b>\$87,178.22</b>
<b>LIABILITIES AND FUND BALANCE</b>						
FUND BALANCE:						
Fund Balance and Petty Cash			\$83,498.47			
Accounts Payable			\$3,679.75			
					<b>TOTAL</b>	<b>\$87,178.22</b>
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE						
SENIOR CENTERS	ACTIVITY	REVENUES	EXPENDITURES	SPIMA-SCO RECORDS 4th Quarter	BANK PACIFIC Statements 09/30/06	ENDING BALANCE 09/30/06
Village Code	Games, raffles & others	Bingo, donations & other source	Snacks, drinks, water, paper products & other charges			
AGANA HEIGHTS AHT-1	Bingo Misc. Total		2,655.44	-	4,642.86	6,027.88
AGAT AGT-2	Bingo Misc. Total	\$13,090.89	13,090.89	-	12,250.30	15,615.37
ASTUMBO AST-3	Bingo Misc. Total	\$18,234.88	18,234.88	-	3,497.19	4,076.42
DEDEDO DED-4	Bingo Misc. Total	\$19,983.47	19,983.47	-	8,084.34	10,250.48
INARAJAN INA-5	Bingo Misc. Total	\$2,587.18	2,587.18	-	1,387.76	1,424.05
MANGILAO MAN-6	Bingo Misc. Total	\$8,048.35	8,048.35	-	3,458.71	4,301.39
MERIZO MER-7	Bingo Misc. Total	\$5,161.87	5,161.87	-	4,723.84	6,316.27
SANTA RITA STR-8	Bingo Misc. Total	\$11,156.44	11,156.44	-	9,283.24	8,025.08
SINAJANA SNJ-9	Bingo Misc. Total	\$7,478.23	7,478.23	-	6,830.60	9,125.45
TAMUNING TAM-10	Bingo Misc. Total	\$7,214.65	7,214.65	-	3,001.49	5,289.70
YIGO YIG-11	Bingo Misc. Total	\$7,544.53	7,544.53	-	4,485.17	6,143.90
YONA/TALOFOFO YON/TAL-12	Bingo Misc. Total	\$4,028.66	4,028.66	-	2,889.55	3,607.64
SPIMA-SCO Management		\$6,602.38	\$6,602.38		\$2,570.35	\$3,579.03
<b>TOTAL INCOME</b>		<b>\$113,786.97</b>				
<b>TOTAL EXPENSES</b>			<b>\$113,786.97</b>			
<b>FUNDS</b>				<b>\$0.00</b>		
Book records balance						
Bank statement balance					<b>\$67,105.40</b>	
<b>ENDING BALANCE</b>						<b>\$83,782.66</b>
CHECKS O/S & Acct. Receivable			<b>\$811.44</b>	<b>\$3,679.75</b>		<b>\$4,491.19</b>
FUND BALANCE beginning October 1, 2005					\$46,980.40	
CHANGE IN FUND BALANCES (Current Transaction)					\$31,318.07	
FUNDS/BANK BALANCE ending September 30, 2006					\$78,298.47	
Plus:						
PETTY CASH on hand, held by 12 Centers for Operations					\$5,200.00	
ACCOUNTS RECEIVABLE to SPIMA Administration					\$3,679.75	
FUND BALANCE as of						<b>\$87,178.22</b>
Prepared By:			1-8-07			
	CRESCENT L. LAURON		DATE			
	SCO Volunteer Program Internal Auditor					
Concurred By:			1-8-07			
	JOSEPH G. CHARGUALAF		DATE			
	SCO Acting Program Director					

Cash in Bank As Reported  
\$78,298 (A)

Bank Statement Balance  
\$67,105 (B)

Unexplained Variance  
\$11,193 (A-B)

<sup>15</sup> Source: GGARP/SPIMA volunteer internal auditor.

# DPHSS Management Response

<p>GOVERNMENT OF GUAM</p> <hr/> <p>DEPARTMENT OF PUBLIC HEALTH &amp; SOCIAL SERVICES          (DEPARTAMENTON SALUT PUPBLEKU YAN SETBISION SUSIAT)          Post Office Box 2816 Hagåtña, Guam 96932          123 Chalan Kareta, Route 10          Mangilao, Guam 96913</p>	
 <p>Felix P. Camacho GOVERNOR</p> <p>Michael W. Cruz, M.D. LIEUTENANT GOVERNOR</p>	 <p>Peter John D. Camacho, MPH ACTING DIRECTOR</p> <p>J. Peter Roberto, ACSW DEPUTY DIRECTOR</p>
<p>Doris F. Brooks Office of the Public Auditor 238 Archbishop Flores Street Suite 401 Pacific News Building Hagåtña, Guam 96910</p>	<p style="text-align: right;">JUN 12 2007</p> <p style="text-align: center;"><b>RECEIVED</b> OFFICE OF THE PUBLIC AUDITOR</p> <p>DATE: <u>6/12/07</u></p> <p>TIME: <u>10:20 AM</u></p> <p>BY: <u>[Signature]</u></p>
<p>Subject: Draft Audit Report – GovGuam Association of Retired Persons, Servicio Para I ManAmko (GGARP/SPIMA) – Management of Bingo Funds</p>	
<p>Dear Ms. Brooks,</p> <p><b><i>Buenas yan Saluda!</i></b> On June 6, 2007, the Division of Senior Citizens (DSC), Department of Public Health and Social Services met with key representatives of the OPA and the Senior Center Operations (SCO) Program to discuss the draft audit report on the management of bingo funds by GGARP/SPIMA, the Service Provider contracted by the DSC to operate the SCO Program.</p> <p>The DSC provides the following response to the findings indicated in the audit report:</p> <ol style="list-style-type: none"> <li>1. In FY 2004, the DSC approved funding for health fair costs through the Disease Prevention Health Promotion (DPHP) Program. All invoices submitted to the DSC were paid in full, leaving a zero balance in the DPHP budget. Thus, the DSC fulfilled its obligation to GGARP/SPIMA in reimbursing all allowable costs related to the health fair. Copies of cancelled checks for the FY 2004 DPHP Program were provided to your office via email on June 7, 2007.</li> <li>2. The DSC agrees that improvements in the monitoring of bingo activities are necessary to ensure controls are in place for the proper accounting and recording of gross bingo revenues. (<i>Draft Audit Report, Page 5</i>)</li> <li>3. The DSC was neither aware of, nor approved or endorsed any fundraising activities of the GGARP/SPIMA administration. All fundraising activities approved by the DPHSS were for the benefit of the SCO Program participants. (<i>Draft Audit Report, Page 14</i>)</li> <li>4. All other findings indicated under “Results of Audit” have been addressed by DSC in the enclosed letter to GGARP/SPIMA dated June 8, 2007. The letter outlines corrective actions to be taken by both GGARP/SPIMA and DSC for the resolution of all discrepancies related to bingo funds and the assurance of the proper accounting and recording of those funds. (<i>Draft Audit Report, Page 5</i>)</li> </ol>	

## DPHSS Management Response

Letter to OPA  
DSC Response to Bingo Audit  
Page 2

The DSC is committed to working with GGARP/SPIMA to resolve all audit concerns satisfactorily. We welcome the six month follow-up review by the OPA; however, as indicated in the attached letter, we will be diligent in our efforts to resolve all audit findings sooner.

Should you have any questions or need further assistance in this matter, please contact me at 735-7101 or Mr. Arthur U. San Agustin, MHR, Senior Citizens Administrator at 735-7382. Thank you for the opportunity to meet with your staff and provide a written response to the draft report. We look forward to continued collaboration with your office in ensuring accountability and integrity of our programs. *Si Yu'us Ma'ase!*

Senseramente,



PETER JOHN D. CAMACHO, MPH  
Acting

Enclosure

# DPHSS Management Response



Felix P. Camacho  
GOVERNOR

Michael W. Cruz, M.D.  
LIEUTENANT GOVERNOR

## GOVERNMENT OF GUAM

DEPARTMENT OF PUBLIC HEALTH & SOCIAL SERVICES  
(DEPARTAMENTON SALUT PUPBLEKU YAN SETBISION SUSIAT)  
Post Office Box 2816 Hagåtña, Guam 96932  
123 Chalan Kareta, Route 10  
Mangilao, Guam 96913



Peter John D. Camacho, M.P.  
ACTING DIRECTOR

J. Peter Roberto, ACSW  
DEPUTY DIRECTOR

June 8, 2007

Mr. Joseph G. Chargualaf  
Program Director, Senior Center Operations  
GovGuam Association of Retired Persons Inc. (GGARP)  
Servicio Para I Manamko (SPIMA)  
P.O. Box 3057  
Hagåtña, Guam 96932

Subject: Draft Audit Report – GovGuam Association of Retired Persons, Servicio Para I ManAmko (GGARP/SPIMA) – Management of Bingo Funds

Dear Mr. Chargualaf,

On June 6, 2007, a meeting between representatives of the Office of the Public Auditor (OPA), Senior Center Operations (SCO) Program, and Division of Senior Citizens (DSC), DPHSS, was conducted to discuss the draft audit report completed by the OPA on the SCO Program's management of bingo funds during Fiscal Years 2004, 2005 and 2006.

This letter is to memorialize discussions held with you on the same day in which the DSC, DPHSS advised of the following requirements of the SCO Program resulting from the audit:

1. In the draft audit report (page 5, first bullet under "Results of Audit"), it was found that "Gross cash collected from each bingo game was not reconciled to the number of bingo cards being played." In response to this finding, you agreed to implement on June 11, 2007, a full 100% accounting of all bingo funds collected at each senior citizens center, including but not limited to the number of cards sold for each game, the amount of funds paid to winners with supporting receipts of payment, and the 10% delivered to the GGARP/SPIMA office for deposit to the appropriate checking account. This process shall include verification by the center manager and center volunteers assigned to specific tasks of selling cards and/or collecting funds.
2. Resolution of audit findings: The SCO must submit to DSC a timeline in which the SCO Program intends to reconcile all discrepancies with bingo funds for fiscal years 2004 through 2006.
  - a. The SCO Program Director or Manager is required to meet with DSC Program Coordinator Jeanette Gomez on a weekly basis to provide a progress report on the resolution of all findings.
  - b. The deadline for completion of this Task No. 2 is July 6, 2007. No extensions will be granted in this matter.

**DPHSS Management Response**

Letter to Mr. Joseph G. Chargualaf  
Re. Draft GGARP/SPIMA Audit Report – Management of Bingo Funds  
Page 2 of 2

3. The SCO Program must obtain from its contracted bookkeeper/accounting service a timeline by which all funding sources under the SCO Program (government contract, bingo, donations, fundraisers and petty cash) will be incorporated into the automated accounting system.
4. Provide DSC, DPHSS with the SCO Program's response to the draft audit report prior to submission to the OPA.
5. The Program Director and Manager must immediately identify an SCO staff competent to conduct bookkeeping duties for the program. If no staff is identified, the program is required to hire an individual competent in bookkeeping no later than June 22, 2007. The program is expected to adhere to the current approved personnel costs.
6. To ensure proper disbursement of all bingo funds, a letter from your organization be sent to the bank at which funds are drawn as a reminder of the program's policy requiring two signatures on all checks drawn from the account.

In addition to the requirements listed above, the DSC will be amending the existing SCO Program contract as follows:

7. The annual independent audit must include all funding sources under the SCO program (government contract, bingo, donations, fundraisers and petty cash).
8. The SCO Program must submit to DSC annual financial statements or reports generated by the automated accounting system.

A response, with attachments relative to items 2 through 4, is expected no later than Monday, June 11, 2007. Should you have any questions or need further assistance, please contact me or Ms. Cerina Mariano at 735-7382.

  
**ARTHUR U. SAN AGUSTIN, MHR**  
Senior Citizens Administrator

xc: ✓SCO file  
PAU – CYMariano

ASA/cym/tct  
06/08/07:PAU/2007/SCO/Ltr to SCO on OPA Bingo Audit 6.6.07.doc

**GGARP/SPIMA Management Response**

**Servicio Para I ManAmko**

GovGuam Association of Retired Persons, Inc.  
P.O. Box 3057 • Hagåtña, Guam 96932  
(671) 477-9014/472-2215~6 • FAX: (671) 477-9015



**SPIMA**  
SERVICIO PARA I MANAMKO

June 13, 2007

**RECEIVED**  
**OFFICE OF THE PUBLIC AUDITOR**

Ms. Zeny A. Nace, CPA, CGFM, CFE  
Audit Supervisor  
Office of the Public Auditor  
Suite 401, Pacific News Building  
238 Archbishop Flores Street  
Hagatna, Guam 96910

DATE: 6/13/07  
TIME: 4:10 PM  
BY: [Signature]

Subject: Draft Audit Report – GGARP/SPIMA (Management of Bingo Funds)

Dear Ms. Nace:

The following is Senior Center Operations' response to the June 1, 2007 results of the audit report:

1. Senior Center Operations issued a program policy effective June 11, 2007 to address this concern for full (100%) accountability of bingo funds collected at each Senior Center. Examples of procedures include: recording the total number of bingo cards played, the 10% collected, verification by the manager and volunteers tasked to sell cards and collection of cash, the pay out receipted to all game winners and delivery of funds to the SCO Office for deposit in the bank account.
2. The 10% bingo and miscellaneous cash receipts recorded in the logs (FY04 – FY06) do not agree with the cash deposits in the bank statements. Senior Center Operations noted that there may be recorded discrepancies and that each document will be reviewed with the bookkeeping company (Deloitte & Touche LLP) contracted in FY07 to work with management staff to enter data into the QuickBooks (small business financial software). On June 13, 2007 the Program Director and Manager will be meeting with representatives of Deloitte regarding reconciling the bingo/miscellaneous funds for FY04 – 07.
3. Policies and procedures of Senior Center Operations call for an in-house audit and this work is performed by a senior center participant (retired accountant). The bookkeeping service will remedy this concern.
4. Effectively immediately, Senior Center Operations will ensure that all required documents for all transactions will be reviewed by the Program Manager and the Program Director to eliminate cited discrepancies.

---

**GGARP/SPIMA Management Response**

---

Forms currently in use will be reviewed to determine how best to make them user friendly. Furthermore, SCO personnel are currently reviewing the revenue and expenditure reports to reconcile with the bank deposits. On June 8, 2007 the Program Director sent a letter (copy attached), to Bank Pacific from which the bingo funds are drawn with a reminder that two authorized signatures are required on all checks.

Training for SCO personnel on the newly implemented procedures is ongoing from June 11, 2007 until June 30, 2007. This is our trial period in order to provide on-the-job training for each manager and office staff. Final changes will be presented during the regular meeting of managers on July 3, 2007.

5. Senior Center Operations noted that the amount withdrawn for the July 30, 2004 Senior Health Fair payable to Holiday Inn Resort was three thousand five hundred twenty-two & 50/100 (\$3,522.50); and one hundred fifty-seven & 25/100 (\$157.25) to Copy Xpress for folder labels related to the fair. The total amount is three thousand six hundred seventy-nine & 75/100 (\$3,679.75), copies of checks attached. On June 12, 2007, on behalf of the GovGuam Association of Retired Persons, Inc., the Board President (Ann San Nicolas) authorized the Program Director to pay the amount due to the Senior Center Operations 10% bingo account to be drawn from the Rai yan La Raina account. This check will be processed by June 15, 2007.

If you have any questions, please call me at 473-1913.

  
JOSEPH G. CHARGUALAF  
Program Director



**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](http://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.**