



OFFICE OF THE PUBLIC AUDITOR

## EXECUTIVE SUMMARY

Performance Audit of the Dededo Mayor's Office  
Non-Appropriated Funds  
Report No. 05-04, September 2005

The Office of the Public Auditor (OPA) found that checks and balances were deficient over the non-appropriated fund checking accounts managed by the Dededo Mayor's Office. The audit revealed that the Dededo Mayor's Office could have collected approximately \$515,940 in additional revenue had laws been adhered to and the proper checks and balances been in place.

As much as \$41,303 in Flea Market collections for FY 2004 may have been either under collected or not deposited to the bank, because the Mayor's Office did not follow basic checks and balances in the receipt, collection, deposit, and reconciliation of cash to the number of Flea Market stalls occupied weekly. This loss, when extrapolated over the 39-month audit period, amounts to as much as \$134,000 in Flea Market collections which may have been either under collected or not deposited to the bank.

Both the former and the current Dededo Mayors undercharged Flea Market vendors by selling vendor permits at a rate of \$5 per stall per day, instead of the mandated \$20 weekend rate. We estimated that as much as \$381,940 was undercharged during our audit period. In aggregate, the Dededo Mayor's Office could have realized an estimated \$1.3 million from October 1993 through December 2004 had the Mayors charged the mandated \$20 vendor permit fee.

Further, we found that the former Dededo Mayor, Vice-Mayor and Dededo Municipal Planning Council (Dededo MPC):

- Did not submit annual financial reports to the Governor, the Guam Legislature and the MCG, as required by law. As a result, over half a million dollars in Flea Market and other revenues were not reported for the Revolving Fund.
- Were not authorized to open two checking accounts. As a result, approximately \$59,000 in revenue was not reported, and \$48,000 in expenses was paid without the approval of the Dededo MPC.
- Did not have documentation to support that purchases of \$216,444 in supplies, equipment and labor were procured in compliance with Government of Guam Procurement Regulations.
- Did not issue Form 1099-MISC to individuals who provided services of at least \$600 each fiscal year.
- Did not deposit donations of \$16,900 from Daily Flea Market vendors into a separate checking account or report these donations to the Dededo MPC, but instead used these funds as petty cash and did not seek the approval of the Dededo MPC before expending these funds.

In January 2005, the Dededo Mayor instituted the segregation of duties. Despite the new changes to segregate accounting duties, an employee failed to make deposits of \$1,000 when the employee had assumed the responsibility of receiving and depositing payments while another employee was on leave. This incident was eventually detected by other staff members and reported to the Mayor. After the Mayor's investigation, the employee admitted to theft and was subsequently terminated from the Dededo Mayor's Office. The Mayor reported the theft to the police and is actively seeking repayment from the former employee.

OPA made ten recommendations to the Dededo Mayor, Vice Mayor, and Dededo MPC to correct these deficiencies. Among these recommendations are to:

- Establish a system to (a) reconcile cash collections to cash deposits and the number of weekly Flea Market stalls occupied weekly (b) ensure that cash custodial and accounting duties remain segregated, (c) require monthly bank reconciliation to be performed, for the Revolving Fund account and (d) update the graphical layout of the Dededo Flea Market.
- Charge the prescribed \$20 weekend fee, as mandated by 5 G.C.A. §68901 (b) effective immediately.
- Close the Lencho Park Thursday Night Market Fund and the DMPC Preventative Maintenance Fund accounts, and transfer all account balances to the Dededo Municipal Planning Council Revolving Fund account.

The Dededo Mayor, Vice-Mayor, and Dededo MPC concurred with the findings and recommendations of this report.



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Public Auditor