



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.



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