



THE BAHAMAS PUBLIC PARKS AND PUBLIC BEACHES AUTHORITY

2021 INTERNAL CONTROLS AND OPERATIONAL REVIEW

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BY EMAIL

To: Mr. Simon Wilson
Financial Secretary
Ministry of Finance
Nassau, The Bahamas

Dear Mr. Wilson:

Our firm, K.Christie & Company, Chartered Accountants, writes to acknowledge your instructions in a letter dated November 12, 2021 to our firm. As a result of the said written instructions regarding the proposed engagement procedures agreed upon, we present our report and detailed findings as noted below, with recommendations at the end of the report.

Our Instructions

We have performed the procedures agreed with you and enumerated below with respect to the Internal Controls and Operational Review of the Bahamas Parks and Public Beaches Authority as at September 30, 2021, set forth in the accompanying schedules. Our engagement was undertaken in accordance with the International Standard on Related Services (or relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the accounts payable and are summarized as follows:

You have asked us to undertake the following:

1. Operational Review of the Authority to determine the cause in the increase in the run rate for the expense of contracts from the period July 2020 to June 2021 and for the period July 2021 to September 2021.
2. Review of the Board minutes to ensure that the Board was fully aware and seized of the financial implications of its decisions.
3. Review of the procedures within the Accounts and Inspection Departments to determine if guidelines were adhered to, and to determine how the Authority evaluated whether the paid persons on contracts performed the services and whether separate entities were not compensated for performing work at the same location.
4. In addition, an analysis of the contracts and payments will be performed to determine patterns of interest, e.g., concentration of payments or related parties.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the information as of September 30, 2021.

Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you. Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of The Bahamas Public Beaches and Public Parks Authority, taken as a whole.

CHARTERED ACCOUNTANTS



Kendrick K. Christie CA CFE ACAirb JP
Managing Partner
K.Christie and Co. Chartered Accountants
Nassau, The Bahamas
December 16, 2021

EXECUTIVE SUMMARY

The Bahamas Public Parks and Public Beaches Authority has requested and received consistent supplemental funding beyond the budget book amounts in each of the last three fiscal years.

We did not identify the exact need for extra budgetary allocations and there is speculation that it was fueled more by the demand and requests for economic stimulation than by any real needs on the ground.

This operational review revealed a combination of material weaknesses and significant deficiencies that created an environment to facilitate such overruns.

The material weaknesses stemmed principally from the Board's failure to exercise oversight by meeting regularly and requiring reports that would enable it to monitor the budget versus actual performance of the Authority. Additionally, the procedures within the Accounts and Inspection Department lack checks and balances that can militate against errors, improper behavior, and other risks.

Deficiencies were reflected in the Authority's inability to reduce risks and incorrect information.

This report recommends, above all else, that the Board exercise effective oversight, including risk oversight, of the Authority. We recommend also that urgent attention be given to strengthening the Accounts Department and the risk management capacity of the Authority.

Our sample work on the List of Contracts Provided to us (130 Contracts examined out of the total 1,085 Total Contracts) indicates that the majority of these contracts met the requirements of the authority, there were some deficient files and these are listed in **Appendix 1** of this report, most contracts adhered to the documentation requirements of the Authority.

There were one contract that were not initially located and never provided to our Team, two contracts were not signed, one had no witness signature and eight files had no signature on reassignment. We have brought these exception contracts to the attention of the Chairman of the Authority and listed these contracts in the document labelled **Appendix 1**.

We understand that the Authority has established an action plan to address the challenges of unsigned contracts and issues where vendors have not produced evidence of business licenses or payment of Government NIB and Taxes, the Authority will have to proactively address these based on the rule of law and results of their investigations.

BACKGROUND

The Bahamas Public Parks and Public Beaches Authority (BPPPBA) is a quasi-government corporation formed by an Act of Parliament in 2014. The mandate of the Authority is to control, plan, design, develop, administer, manage and maintain public parks and public beaches.

Public parks are identified in the Public Parks Rules. However, the Authority is empowered to designate public parks and beaches and to identify green verges for development and maintenance.

The Authority is managed by a Board, which is headed by an executive chairman. Its annual budget averages \$15.2 million and is paid out of public funds. For the period under review, the Authority's budget was provided through the Ministry of Environment and Housing. According to the 2021/2022 supplementary budget, the Authority's funding is now under the Ministry of Public Works.

The Authority employs approximately 27 staff members to manage work by contractors at 161 parks, 19 beaches, and scores of verges on New Providence under contracts, most of the contracts have a 2 week exit/notice of termination clause , some of the larger ones have a one month exit clause.

Operational Review to Determine Reason for Increase in Run Rate

OBSERVATIONS

The value of contract payments in June 2020 was \$2.3 million versus \$3.1 million in July 2021, an increase of 35%.

We observed a letter dated September 3rd, 2021 written by the Managing Director at the time and copying the Chairman of the Authority, requesting additional funding moving from the monthly total of \$2,137,151.50 to a total of \$3,787,654,50. **See Appendix 2.**

The Authority's annual budget allocation has been consistent at \$15.2 million in each of the fiscal years (FY) from 2018/2019 to 2021/2022. However, the Authority has requested additional funding to defray contract expense.

**Table 1 BPPPBA Budget Allocation and Provisional Actual Expenditure (millions)
FY 2018/2019 – 2021/2022**

<u>Period</u>	<u>Budget</u>	<u>Supplementary Funding</u>	<u>Expenditure*</u>	<u>Reason:</u>
July 2019 - June 2020	\$19.1M	\$6.8M	\$25.9M	Contingency increased
July 2020 - Jun 2021	15.2M	13.7M	\$28.9M	Contingency Increased
July 2021 - June 2022	\$15.2M		\$9.3 Million to October 31st *Extrapolates to \$27.9M for the year	Supplementary Funding

* = Provisional

Noted no more contingencies allowed due to changes in the law and financial management.

It is evident from the table below based on information obtained from the Budget Office of the Ministry of Finance that there have been consistent supplemental funding requests and approvals beyond the budget book amounts in each of the last three fiscal years.

The major possible reasons for the perceived need for additional funding/budget allocations for the Authority include expansion of parks and new beaches on the island of New Providence. Commencing July 2020, for example, the Ministry of Public Works identified 146 parks for

Approved Budget	Supplementary Funding	Total
2019 \$19,100,000	\$6,800,000	\$25,900,000
2020 \$15,200,000	\$13,704,232.65	\$28,904,232,65
2021 \$15,200,000	\$9,311,376.33 to Oct 31, 2021	

Table 2

enhancements. These works may have incurred increased cost of servicing contracts by vendors as unserviced areas were brought into the scope of the Authority.

While we do note that the increase in Value Added Tax in 2018 from 7.5% to 12% would have had an inflationary effect on goods and services in The Bahamas, we do not believe this would have been the major contributing factor.

Certainly, the deficiencies that we point out in this report—namely, the absence of monthly board meetings during the period June 2020 to September 30, 2021, the lack of a functional accounting department with all the necessary personnel and the lack of an external audit of the Authority’s financial statements—all made it very difficult to view documentation and minuted concerns about budget overruns and the reasons for the budget additional allocations.

We believe that the extra budgetary allocations were fuelled more by the demand and requests for economic stimulation rather than by any real needs on the ground.

Review of Board Minutes to Ensure that the Board Was Fully Aware of the Financial Implications of Its Decisions

Pursuant to S-8 of the BPPPBA Act, the duties of the Board are to

- (a) formulate policies for the Authority.
- (b) ensure the policies are implemented and enforced.
- (c) manage the financial resources and assets of the Authority.
- (d) manage the fees and charges for services provided to, and by, the Authority.
- (e) advise the Minister on resource allocation relating to public parks and public beaches.
- (f) appoint officers and employees as the Board considers necessary.
- (g) manage the affairs of the Authority

The Board consists of ten directors. The most recent members were:

Shanendon Cartwright – Executive Chairman
Marisol Morley – Secretary
Godfrey Livingston Brown
Richard Brown
Eric Carey
Lincoln Deal
Rawson Minnis
Barron Rolle
Christopher Russell
Pat Rutherford
Antoinette Nesbitt – Managing Director (ex officio)

OBSERVATIONS

During the fifteen-month period under review, July 2020 to September 2021, We see evidence of the Board of Directors meeting once, which was on December 18, 2020. We noted evidence that a Zoom meeting was arranged for December 18th 2020, but no minutes or recordings were available for this meeting.

We noted no documented corporate governance policy of the Board in place.

We noted no monthly reporting by the Managing Director to the Board of the condition of BPPPBA, including financial performance budgets, etc. A monthly expense report is sent to the Finance Officer at the Ministry of Finance, as required of all departments.

Because of these deficiencies, we are unable to say whether the Board was fully aware and seized of the financial implications of its decisions.

Review of the Procedures within the Accounts and Inspection Department to Determine if Guidelines are Being Adhered

OBSERVATIONS

Accounts Department

A. There is little to no separation of duties in the Accounts Department. The Senior Financial Officer (SFO) authorizes payments, processes and posts payments as well as completes the bank reconciliation.

B. The Senior Financial Officer has the sole RBC token authenticator that enables the transfer of monies without approval via RBC online banking. This condition goes against best practices and proper internal controls. The controls in an online banking environment should be similar to the two-signatory system on a checking account. There must be two authenticators on each bank account to minimize fraud and unauthorized transfers.

C. There are presently no written policies and procedures to govern the financial operations of the Accounts Department and contract processing.

Typically, a contract comes from the Executive Chairman and is reviewed by the Inspectorate. Once the supporting documents are in order, the contract and documents are given to the SFO, who processes the information into an Excel spreadsheet and the ISL system.

The file and all documents are then sent to the Managing Director (MD), who reviews and approves the contract as a matter of procedure as the MD does not sign contracts. Following this, direct payments are set up and arranged through RBC Main Branch Nassau for all vendors by the SFO.

D. The entire Accounts Department consists of one senior accountant, who while diligent at the post does not hold professional qualifications. The size and complexity of the Authority's average annual expenditure require a highly skilled accounting department with expertise in financial control and compliance to ensure proper financial management. A financial controller, assistant financial controller, and accounts payable clerk are basic and essential positions for a corporation handling several hundred contracts and a multimillion-dollar budget. Additional staff with strong accounting background are required to adequately staff and maintain good standards for accurate monitoring and reporting, etc.

E. Cash payments and collection methodology will need to be reviewed to ensure proper accounting of same. At present, one staff handles the complete process.

INSPECTORATE/QUALITY ASSURANCE

A. The SFO intimated that due to the COVID-19 protocols, the Authority implemented a system of noncompliance reporting. Hence, only persons who did not perform were reported and their funds withheld. We recommend the Authority revert to the initial quality assurance system where inspectors visit the site and complete the verification form to ensure adequate checks and balances. **See Appendix 3** for templates of the Inspection forms. We also recommend the use of handheld devices by the Inspectorate.

B. Contracts were allocated to various constituencies, and some contracts were issued from within the office of the Executive Chairman as discretionary contracts. Proper monitoring and recording of portfolios must be maintained.

C. A manual system is used at present, which lends itself to errors. When it was decided to renew all contracts in July 2021, several duplications occurred but these contracts were not paid.

Analysis of Contracts to Determine Patterns of Interest

OBSERVATIONS

The Authority presently administers a total of 1,085 contracts. 130 of these contracts were reviewed in detail by K.Christie & Co. for the period under review resulting in the following observations:

A. Contracts showed inconsistencies in the signature of the corporation's Executive Chairman. All contracts were signed by Executive Chairman Shanendon Cartwright, M.P. and Board Secretary Marisol Morley. Three different signatures purporting to be that of the executive chairman were affixed to contracts. The Authority could not produce a specimen signature or A/B signatory list to confirm the proper signature that should have been affixed to contracts.

B. Some contracts were signed and dated by the Authority ahead of the vendor/witness signing, e.g., Sherea Sands's contract.

C. Some contracts were missing from the PDF files given to us to review.

D. Duplicate contracts were reassigned without management approval. Generally, the document was signed by the inspector and vendor. A few of the scanned-in PDF files were not signed. Some files did not have proof of a business license.

E. Some contracts were not witnessed.

F. The Authority does not scan the Agreement and banking form into the PDF as part of the vendor's documents under the contract. The Agreement and banking form should be a part of the permanent record under the business recovery plan.

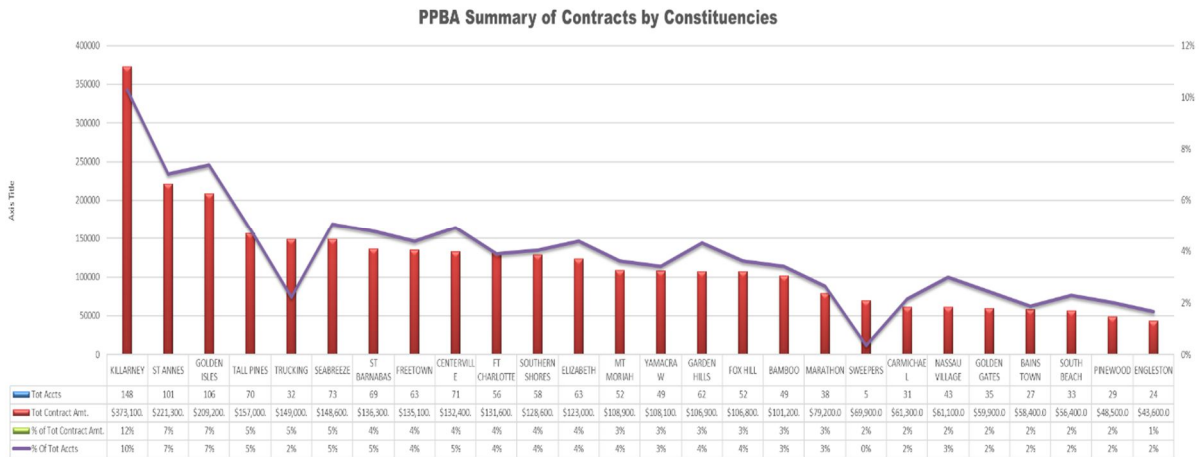
G. The Authority does not require the official Know Your Customer (KYC) identification taken from vendors to be placed on file, i.e., driver's license, NIB card, and passport to compare vendor's signature. These forms of ID are standard information and at a minimum establish that the Authority is dealing with the proper person.

H. Multiple contracts have been issued to individuals using different company names. These individuals have anywhere from one to ten contracts; for example, contracts have been issued to 3M Printing, 3M Car Rental and Oscar Thurston, who are one and the same.

ASSIGNMENT OF CONTRACTS

Contracts are assigned by the Authority to each member of Parliament to have discretionary powers over for their area. A summary review of constituency allocations under the 2021/2022 budget was completed and is presented in the graph and table below.

Killarney Constituency received the largest portion — 12% or \$373,100 — of total contracts awarded and the Englerston Constituency received the lowest at 1% or \$43,600. We noted that Killarney has 6 park and 10 beach designations and Englerston has 4 park designations.



BPPPA SUMARY BY CONSTITUENCIES

Dec 8th 2020

Contract Prioritized - Largest to Smallest in Dollar Value.

CONSTITUENCY	Tot Accts	Tot Contract Amt.	% of Tot Contract Amt.	% Of Tot Accts
KILLARNEY	148	\$ 373,100.00	12%	10%
ST ANNES	101	\$ 221,300.00	7%	7%
GOLDEN ISLES	106	\$ 209,200.00	7%	7%
TALL PINES	70	\$ 157,000.00	5%	5%
TRUCKING	32	\$ 149,000.00	5%	2%
SEABREEZE	73	\$ 148,600.00	5%	5%
ST BARNABAS	69	\$ 136,300.00	4%	5%
FREETOWN	63	\$ 135,100.00	4%	4%
CENTERVILLE	71	\$ 132,400.00	4%	5%
FT CHARLOTTE	56	\$ 131,600.00	4%	4%
SOUTHERN SHORES	58	\$ 128,600.00	4%	4%
ELIZABETH	63	\$ 123,000.00	4%	4%
MT MORIAH	52	\$ 108,900.00	3%	4%
YAMACRAW	49	\$ 108,100.00	3%	3%
GARDEN HILLS	62	\$ 106,900.00	3%	4%
FOX HILL	52	\$ 106,800.00	3%	4%
BAMBOO	49	\$ 101,200.00	3%	3%
MARATHON	38	\$ 79,200.00	3%	3%
SWEEPERS	5	\$ 69,900.00	2%	0%
CARMICHAEL	31	\$ 61,300.00	2%	2%
NASSAU VILLAGE	43	\$ 61,100.00	2%	3%
GOLDEN GATES	35	\$ 59,900.00	2%	2%
BAINS TOWN	27	\$ 58,400.00	2%	2%
SOUTH BEACH	33	\$ 56,400.00	2%	2%
PINEWOOD	29	\$ 48,500.00	2%	2%
ENGLESTON	24	\$ 43,600.00	1%	2%
TOTAL	1439	\$3,115,400.00	100%	100%

OPERATIONAL REVIEW FINDINGS

Rating Terminology	Description
MATERIAL WEAKNESS	A material weakness is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.
SIGNIFICANT DEFICIENCY	A significant deficiency is a deficiency, or a combination of deficiencies in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
DEFICIENCY	A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

MATERIAL WEAKNESSES

The majority of operational flaws our review uncovered are material.

Policy and Procedures Unwritten

There are no complete written policies and procedures on operations or accounting or on any other departmental area of the Authority.

Signing

We noted the Chairman signed each of the sample contracts that we examined along with the Board Secretary and it is believed the Chairman's practice was to sign each contract. We recommend that a tiered system be introduced where the Managing Director signs Contracts under a certain amount and the Board of Directors approves and delegates signing for Contracts above a certain amount. The total delegation of signing to the Executive Chairman is not consistent with best practices.

Board Meetings Not Held

The “tone at the top” and oversight are essential to the success of any organization and governmental authority. A chairman must be able to receive guidance and be held accountable by a well-formed and organized Board. Board meetings, then, are vital and must be held on a regular basis to properly engage in the oversight of the Authority. The lack of monthly meetings during the period July 2020 to September 2021 and the lack of definition of the Board’s role resulted in a total lack of emphasis on controls and budget prudence during the period under examination.

Monthly Reporting Not Done

The Managing Director should be required to provide monthly reports on the operation and submit regular statements on the Authority’s financial position to the Board and Minister.

Bank Reconciliations Not Done

Bank Reconciliations have not been prepared for the 3 bank accounts since August 2018. These accounts have above-average transactions and payments given the Authority’s budget overruns.

External Audits Not Done

Since its creation, the Authority has not released Annual Audited Financials as required by law. The Auditor Baker Tilly Gomez was engaged formally to perform Agreed Upon Procedures Re Internal Controls for the years 2016 to 2019 at a fee of \$18,000 per year. We did not see any evidence of engagement of an external audit firm to audit the Authority’s financial statements.

VAT Returns Not Filed

The Authority is registered for VAT purposes. Its TIN is 101072218. However, in contravention of the VAT Act, it has not filed VAT returns. It was confirmed to us that VAT returns were never filed as required by the VAT Act and Regulations.

Duplication of Contracts

The duplication of contracts occurs because the Authority does not have a system that maps out and provides a budget for the specific areas (park, beach, verge) and the cost associated with each area.

Budget vs Actual Reports Not Prepared

It appears that no Budget vs. Actual reports were prepared, and in the absence of monthly Board meetings, there is a lack of essential information and oversight by the Board. It was noted that Ms. Rahming undertakes some comparative reporting at times; however, analysis is required for good management.

Staffing Shortage

MD Nesbitt and SFO Johnson commented that there was an urgent need for more seasoned, experienced staff in the Accounts Department as Mr. Johnson is the only qualified staff in this key area. The only other 2 staff are clerks who have little or no real accounting background.

Cash Deposits

It is noted that cash deposits are done every 2 weeks. Vendors who receive permits for hotdog stands, beach vending, Billboard ads, Botanical Gardens, Montaque Regattas, or steak-outs must make cash payments for periods of 3 or 6 months.

Senior Clerk Bowleg collects and deposits funds after an estimate is determined for the event and produces an invoice. Once cash is received, deposit slips are made up, verified by Mr. Johnson, and deposited at RBC. Ms. Knowles deals with payroll and cash deposits.

DEFICIENCIES

Several deficiencies were identified that affect the Authority's ability to reduce risk.

ISL (Payroll / Contracts) and QuickBooks systems

These two systems must be integrated to reduce risk and possible incorrect information.

Process Review

This is recommended to improve the efficiency and effectiveness of the Authority and reduce risks.

Inspectorate Field Ops

The Authority should consider implementing a handheld system to authenticate work orders completed during the day using Google or GIS technology.

RECOMMENDATIONS

The recommendations below address the material weaknesses in the operations of the Authority and should be regarded as priority.

1. The Authority codify and write its policies and procedures for accounting and operations in every area.
2. The Board commence monthly meetings to properly engage in the oversight of the Authority using timely and essential information.
3. The Board require the Managing Director to provide monthly reports on the operation and submit regular statements on the Authority's financial position to the Board and Minister.
4. The Senior Finance Officer make bank reconciliations current by an agreed date.
5. The Board agree an approach to having external audits completed.
6. The Board agree an approach to make the Authority VAT compliant.
7. The Authority devise a system that maps out and provides a budget for the specific areas (park, beach, verge) to be contracted out and the cost associated with each area. It is being recommended that New Providence be split into 10 areas, with each area assigned a budget for the period. Further, each area should be mapped out so that there are, for example, 10 streets and a budget for each street. Once the street has been contracted out, it should be blocked out and highlighted so that no one can assign the same street again during the tenure of the contract. The Authority may wish to update the list of public parks in Public Parks Rules. Identifying the parks in law can serve as a control mechanism.
8. The Board request Budget vs. Actual reports and analysis.
9. The Board seek to establish proper budgets and assign the monitoring of same.
10. The Board engage qualified staff possessing skill sets that reflect the size of the Authority's budget and its need for best practices and proper internal controls:
 - a. Accounts Department – urgent need for seasoned, experienced staff
 - b. Financial Controller
 - c. Compliance Officer
 - d. Landscape Architect
11. The Authority consider implementing a handheld system to authenticate work orders completed during the day using Google or GIS technology.

12. The Authority institute a modern cash payment system with checks and balances.

APPENDIX

- 1. CONTRACTS EXAMINED WITH MISSING DOCUMENTS**
- 2. LETTER TO MINISTRY OF FINANCE DATED SEPTEMBER 3RD, 2021**
- 3. INSPECTION FORMS CURRENTLY NOT BEING UTILIZED BY THE AUTHORITY**