Management Letter

Guam Preservation Trust

For the year ended September 30, 2017
March 13, 2018

Board of Directors
Guam Preservation Trust

In planning and performing our audit of the financial statements of the Guam Preservation Trust (the Trust) as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust’s internal control.

A deficiency in internal control 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. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Deficiencies

Support for Expense Reimbursements

The Trust’s travel and other expense reimbursement policy requires that employees and board members submit a written expense report, which includes boarding passes and receipts, at least two weeks of the completion of travel. The results of our testing indicated that for 2 out of the 12 travel and per diem transactions tested, additional costs for meal reimbursements were filed for reimbursement of costs incurred for business meetings. It was noted that these reimbursements covered the cost of meals of individuals that Trust officials had meetings with.

We recommend that the Trust document in detail, the purpose of the business meeting and the names of attendees and ensure that receipts are filed.
Deficiencies, continued

Support for Expense Reimbursements, continued

In addition, the results of our audit test over supplies indicated that for 2 out of 8 transactions tested, documentation was lacking to support the transaction.

Similar to the recommendation above, the Trust should document the purpose of the supplies procured to justify the reimbursement for the expense. This can be done by completing the expense reimbursement request form, or by noting on the receipts what the supplies were used for.

Other matters

Procurement Authority

It is our understanding that the Attorney General of Guam provided an opinion stating that the Trust must adopt the provisions of Chapter 5 of Title 5 of the G.C.A., and must conduct all of its procurements in accordance with Guam procurement laws and regulations.

We recommend that the Trust revise it procurement policy to ensure it is in compliance with the provisions noted above.

Continue Efforts to Manage Funding

The Trust’s main source of revenues is the building permit fees and due to changes in the law, its share of the fees have been reduced to 50% of amounts collected. While we acknowledge that the Trust has obtained other sources of funding, the Trust should ensure budgets and cash flows are prepared and updated timely to manage the level of cash outlays for projects and operating expenses.

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This communication is intended solely for the information and use of management and the Board of Directors of the Trust, others within the organization, and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst & Young LLP