



BURGER · COMER · & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

May 22, 2025

The 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, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 a 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 a 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 matters that should be brought to your attention:

Board of Directors Quorum

Comment: The Trust lacked a quorum of board members after May of 2024. Actions taken without a quorum may be considered invalid and/or voidable. Operational impacts include delays in decision making and the disruption of essential functions such as approving contracts and setting/amending policies.

Recommendation: Work with all responsible parties to ensure that the replacement of board members are in place as existing members terms expire.

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Permit Fees - Due from General Fund

Comment: Public Law 36-107 restored the Trust's entitlement to 100% of building permit fees collected, effective October 1, 2022. However, as previously reported, the quarterly remittances of permit fees from the Department of Administration (DOA) continue to be inconsistent with the actual amounts collected for the corresponding quarters. As of September 30, 2024, the Trust's financial statements reported a gross receivable of \$1,362,484 in unpaid permit fees, nearly all of which has been reserved as an allowance for doubtful accounts. This balance includes a reduction of \$249,659, representing a recovery of previously written-off bad debt based on reconciliations between remittances and actual collections during the current year. Despite the statutory requirement for these fees to be held in a restricted account and remitted to the Trust, the reason for the continuing nonpayment remains unresolved.

Recommendation: We continue to strongly recommend that the Trust actively engage with the Department of Administration to address these ongoing discrepancies. To ensure accountability and compliance with Public Law 36-107, it is essential that the Trust, the Department of Administration, and the Department of Public Works jointly undertake a comprehensive reconciliation of the permit fees collected and remitted. Furthermore, we recommend the establishment of formalized internal control policies and procedures to strengthen oversight and ensure the accurate and timely collection and remittance of building permit fees.

Prior Year Unresolved Matters

During our 2023 audit, we identified several matters that remain unresolved and warrant repeating in the current year. Where applicable, information has been updated to reflect the impact for the year under audit. Notably, several of these unresolved issues are directly attributable to the lack of a quorum within the Board of Directors during the current year, as outlined below:

Legal Authority of Grantor

Comment: The Trust received a \$200,000 grant directly from the Office of the Attorney General of Guam (OAG) pursuant to a Memorandum of Agreement. The funding source was a settlement related to Superior Court of Guam Civil Case No. C2206-01610.

Recommendation: It is unclear whether the OAG possesses the legal authority to directly expend settlement funds in this manner. We recommend that the Trust seek formal clarification regarding the OAG's authority to allocate and disburse such funds to ensure compliance with applicable laws and regulations.

Investment Policy/Restricted Funds

Comment: The Trust routinely receives funds that are restricted for specific purposes, either by donor stipulations or enabling legislation. As of September 30, 2024, the Trust reported approximately \$2.8 million in restricted funds, while cash and cash equivalents totaled approximately \$2.4 million. The \$400,000 difference represents restricted funds that have been invested, thereby subjecting them to market risk. Although there is no known legal prohibition against this practice, the Trust's current investment policy does not specifically address the investment of restricted funds or the associated risk exposure.

Investment Policy/Restricted Funds, Continued

Recommendation: We recommend that the Trust take the following actions:

1. Seek clarification from applicable grantors to determine whether investment of restricted funds involving market risk is permissible under the terms of the funding.
2. Revise the Trust's investment policy to explicitly address the treatment of restricted funds, including establishing an acceptable level of market risk and oversight mechanisms to ensure compliance.

Travel Policy

We noted several areas of concern and opportunities for improvement regarding the Trust's travel policy, as detailed below:

1. Business First Class Travel – Lack of Documentation

Comment: A presenter at the World Heritage Workshop traveled to Guam using Business First class accommodations, funded by a U.S. Department of the Interior grant. While federal regulations allow for the purchase of the least expensive unrestricted airfare, our review of Board minutes and discussions with management revealed no documentation authorizing or justifying this upgraded travel. Accordingly, this appears to be inconsistent with the Trust's current travel policy.

Recommendation: The Board of Directors should revise the travel policy to explicitly define the conditions under which Business First class travel is permissible. Any such travel should be pre-approved and documented in the Board's meeting minutes.

2. Inefficient Travel to Marianas History Conference

Comment: Three individuals traveled to Saipan the day before the Marianas History Conference, which did not begin until 6:00 p.m. the following day. Given the short flight duration and lack of time zone difference, this schedule appears to be an inefficient use of Trust funds.

Recommendation: The travel policy should be amended to clarify when advance travel days are justified, including consideration of travel duration, cost-efficiency, and the nature of the event.

3. Extended Mainland Travel and Unrelated Side Trip

Comment: An individual attended two U.S. mainland conferences spaced four days apart. Between the two events, the traveler remained on the mainland and made an unrelated stop, resulting in increased airfare. While this may have avoided two round trips to Guam, the policy does not currently address personal side trips or layovers.

Recommendation: The Board should revise the travel policy to address extended travel schedules and unrelated side trips. Any travel not directly enroute to and from the official event location should be at the traveler's personal expense and explicitly disallowed for reimbursement.

Travel Policy, Continued

4. Travel Approval Authority

Comment: Under the current policy, the Chief Preservation Officer (CPO) is authorized to approve staff-level travel, while Board approval is only required for Board members' travel. In light of increased public scrutiny, this level of discretion may lack sufficient oversight.

Recommendation: To strengthen transparency and accountability, we recommend that all travel including staff-level be reviewed and approved by the Board of Directors, with documentation of approvals included in the Board's meeting minutes.

5. Outdated Policies and Procedures

Comment: Several of the Trust's policies and procedures, including the travel policy, have not been reviewed or updated in over a decade.

Recommendation: As a matter of good governance, the Board should adopt a schedule to periodically review and update all policies and procedures to ensure alignment with current best practices and the Trust's mission.

These recommended actions aim to improve internal controls, enhance transparency, and ensure proper stewardship of public and grant funds.

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

This communication is intended solely for the information and use of the management, and Board of Directors of the Guam Preservation 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.

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