

Management Letter

**Guam Preservation Trust**

*For the year ended September 30, 2016*



Building a better  
working world



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March 14, 2017

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, 2016, 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

##### Policy and Procedures for Use of Vehicles

The Trust purchased vehicles during the 2015 fiscal year. It is our understanding that there currently are no written approved policies addressing situations wherein use of the vehicles for personal use is not permitted.

We noted that a draft policy has been presented to the board of directors. We recommend that the Trust implement the policy as soon as it has been approved.

Deficiencies, continued

**Submission and Filing of Travel and Expense Documents**

The Trust's travel policy requires that employees and board members submit a written expense report at least two weeks after the completion of travel. The travel expense request should include the following:

- Name of traveler or name of person seeking expense reimbursement
- Purpose of trip or expense
- Date of travel or date expense incurred
- Origin, destination and purpose of trip

Additionally, individuals travelling on behalf of the Trust must submit a trip report describing the goals, objectives and accomplishments of the travel. The policy further states that failure to submit a trip report may result in suspension of future travel on behalf of the Trust.

The results of our audit test indicate that for six out of eleven transactions tested, documentation was lacking support (either no trip or expense report, detailed invoices or boarding passes were filed).

We recommend that the Trust ensure that the travel policy is enforced and that trip and expense reports are properly submitted. Additionally, to ensure transparency with travel activities, all related costs and reimbursements should be detailed in the trip report, summarized in a travel log and filed together. This will also aid in the follow-up of trip and expense reports within the required submission date.

Other matter

**Manage Funding**

The Trust's main source of revenues is the building permit fees. However, effective for fiscal year 2016, the building permit fees allotted to the Trust were reduced to 50% of amounts collected.

While the Trust has looked to other sources of funding, including federal grants and sponsorships, 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. This will help identify if cost-cutting measures are needed to ensure the Trust is able to operate within its means.

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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.

The Board of Directors  
Guam Preservation Trust

March 14, 2017

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

*Ernst + Young LLP*