

Management Letter

**Guam Preservation Trust**

*Year ended September 30, 2007*

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, 2007, 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Control Deficiencies and Other Matters**

During our audit, we noted Findings 2007 – 01 through 2007 – 03 described in the following pages identified as control deficiencies as defined above.

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 the Public Auditor, 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*

February 23, 2008

# Guam Preservation Trust

## Management Letter Comments, continued

### **Finding Number 2007 – 1**

#### **Investment policy**

##### Comment:

In FY 2007, the Trust decided to do a “pilot phase” in which \$1.8 million was invested with three different investment companies. At the end of the year, the investment companies will be evaluated to determine if any changes need to be made (i.e. eliminate or retain services). However, the Trust has not developed a formal investment policy.

##### Recommendation:

The Trust should develop an investment policy to ensure that qualified individuals are handling the investments of the trust and that minimal risk investments are being made. The policy can define acceptable investment options and place limits on the types of risks that can be assumed by the Trust. Another item to address in the policy is the use of competitive sealed bids or other means of selecting investment service providers to prevent any conflicts of interest.

##### Management Response:

The Trust has appointed members to establish an investment policy. The decision to select all three of the investment companies was after having reviewed the rate/programs offered by the banking institutions and the investment services. It was decided that after one year, the Board will revisit the investment returns managed by the three investment service providers and decide whether to maintain or redirect the investments. A committee has been established to set the policy.

### **Finding Number 2007 – 2**

#### **Submission of reports from recipients**

##### Comment:

Grant recipients are required to submit interim reports during the project period. A final report, including a signed affidavit of payment of debts and claims, is also required for submission so that the grant recipient can receive the final balance of the grant at the end of the project. The due dates of the reports are stated in the contracts between the Trust and the grant recipients. We noted the following non-compliance:

- Final payment for grant number GPTG06-08, in the amount of \$5,050, was made on June 1, 2007, however the final report and affidavit of payments of debts and claims was not received until October 30, 2007.
- Payment for grant number GPTG06-09, in the amount of \$5,000, was made on March 12, 2007, however the final report and affidavit of payments of debts and claims have not yet been received.

# Guam Preservation Trust

## Management Letter Comments, continued

### **Finding Number 2007 – 2, continued**

#### Recommendation:

The Trust should maintain a log or carefully review the due dates of reports prior to disbursing checks. In addition, the Trust should follow the terms of the contract, which includes non-release of final payments until the final report and affidavit of payment of debts and claims is received.

#### Management Response:

Management concurred. In regards to the grant number GPTG06-09, the recipient has notified the Trust that the affidavit and final report are completed. However, management personnel of the grant recipient are currently reviewing the reports prior to submission to the Trust.

### **Finding Number 2007 – 3 Employee handbook**

#### Comment:

Beginning in FY 2007, the Trust implemented a retirement contribution plan for qualified personnel. However, we noted the employee handbook was not updated to reflect this benefit.

#### Recommendation:

The employee handbook should be updated on a timely basis to reflect changes made.

#### Management Response:

Management concurred. The employee handbook will be updated.