



OFFICE OF THE PUBLIC AUDITOR

**GUAM PRESERVATION TRUST
FY 2008 Financial Highlights**

April 16, 2009

The Guam Preservation Trust (GPT) closed fiscal year (FY) 2008 with a net income of \$3,000 compared to \$563,000 in FY 2007. The significant decrease is attributable to the dramatic \$386,000 increase in projects/grants expenditures. GPT also realized a 7% or \$78,000 decrease in building permit fees from \$1.1 million (M) in FY 2007 to \$982,000 in FY 2008. Independent auditors, Ernst & Young, LLP, rendered an unqualified or clean opinion.

Primary Revenue Source of Building Permit Fees Declined

GPT's primary revenue source is building permit fees, which are deposited with the Treasurer of Guam (TOG). Construction activity on Guam directly impacts the amount of building permit fees received. Department of Administration (DOA) transfers building permit fees from the General Fund to GPT. For FY 2008, GPT total revenues declined by 7.6% or \$86,000 going from \$1.14M in FY 2007 to \$1.05M in FY 2008.

The independent auditors have been concerned as to GPT's inability to ensure the completeness of the building permit fees collected. This issue has been a repeat finding and a significant deficiency again identified by the auditors since 2006. Building permits are issued by Department of Public Works (DPW) using unnumbered, manually prepared, inter-office memorandums to evidence payment of building permit fees prior to permit issuance. Building permit fees are deposited with the TOG. GPT records its revenues monthly through its accounting service provider by reviewing inter-office memorandums filed at DPW. The finding noted that DOA confirmed building permit fees that was approximately \$80,000 less than what GPT had recorded. Until DPW automates its building permit processing, the revenue completeness will be a continuous challenge for GPT.

Historic Preservation Projects

For FY 2008, GPT approved 18 new grants totaling \$586,000. Grants ranged from historic homes, churches, school, civic parks and public buildings. As of FY 2008, GPT has over 30 grants totaling \$1.3M towards the rehabilitation and restoration of historic structures. As a result, grants expenditures dramatically increased by 193% or \$386,000 from \$200,000 in FY 2007 to \$586,000 in FY 2008. Grant expenditures include structural assessment of the Guam Legislature for \$24,000 and the Guam National History Day for \$82,000.

Operating Expenditures Increased

GPT's operating expense increased by 23% or \$84,000 from \$363,000 in FY 2007 to \$447,000 in FY 2008. The increase is primarily attributable to the \$81,000 bad debt expense due to the \$81,000 difference of recorded revenues between GPT and DOA. GPT personnel services also increased by 5% or \$12,000 going from \$233,000 in FY 2007 to \$245,000 in FY 2008 for three employees. GPT employees are not government of Guam employees and do not contribute to the

Government of Guam Retirement Fund. These increases were slightly off-set by nominal decreases in trust fund fees and travel.

Gain and Loss on Investments

In FY 2008, GPT realized a gain of \$71,000 in the sale of certain investments and recorded a unrealized \$85,000 loss in its investment o. As of September 30, 2008, GPT's bank balance amounted to \$1.4M. Of this amount, \$429,000 or 32% was insured while 68% or \$932,000 was uninsured or uncollateralized. GPT does not have an investment policy to guide the Board when making decisions on managing GPT's investments and cash. Given the current financial and economic turmoil in the market, it is incumbent upon the management and the Board to adopt an appropriate investment policy. The auditors cited the lack of investment policy in its management letter.

In addition to GPT's lack of investment policy, the auditors noted GPT's non-compliance with its travel policy wherein boarding passes were not submitted as support for proof of travel.

A separate letter to the Board outlines the Ernst & Young's audit strategies, emphasis, required communications, and adjustments.

A detailed commentary on GPT's operations can be found in the Management Discussion and Analysis in the audit report. For more details view the reports in its entirety at www.guamopa.org.