

Compliance and Internal Control

Guam Preservation Trust

Year ended September 30, 2006

Guam Preservation Trust

Reports on Compliance and Internal Control

Year ended September 30, 2006

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of Guam Preservation Trust

We have audited the financial statements of the Guam Preservation Trust as of and for the year ended September 30, 2006, and have issued our report thereon dated June 8, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guam Preservation Trust's internal control over financial reporting 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 Guam Preservation Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Guam Preservation Trust's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. These significant deficiencies are Findings 2006-1 and 2006-2.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guam Preservation Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2006-3 to 2006-7.

Guam Preservation Trust's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Guam Preservation Trust's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management of Guam Preservation Trust and others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

June 8, 2007

Guam Preservation Trust

Schedule of Findings

September 30, 2006

Finding No:	2006-01
Criteria:	Generally accepted accounting principles require that all revenues be recorded in the proper accounting period.
Condition:	One Stop is currently utilizing an unnumbered manual Inter-Office memorandum in place of preprinted sequentially numbered receipts. There is no control over the number of receipts issued by One Stop and no audit trail is available for days when no receipts are reported as being issued or when issued receipts are not filed and recorded.
Cause:	The change to an unnumbered memorandum rather than a pre-numbered receipt resulted in the absences of any control over receipt issuances.
Effect:	There is a probability that not all revenues are recorded.
Recommendation:	To ensure all receipts are recorded and to reduce the risk of misstatement, error, fraud and illegal acts, the use of forms containing preprinted control numbers is recommended.
Auditee Response:	Corrective action is in progress to provide Department of Public with pre-printed field receipts with control numbers for building permit fees.

Guam Preservation Trust

Schedule of Findings, continued

Finding No:	2006-02
Criteria:	Documentation should exist to support the recorded amount of revenues.
Condition:	Issuing and filing of receipts were inconsistent and supporting documents were not attached.
Cause:	There is a lack of adequate internal controls to ensure that all receipts are accounted for. There is no audit trail showing that from the beginning of a transaction to the filing of the Treasurer of Guam (TOG) receipt, an audit trail connects that payment to the receipt of cash. TOG does not print a duplicate copy of the automated receipt for a customer to submit to One-Stop as an attachment to their inter-office memo.
Effect:	Since there is no population control and no confirmation of receipts from TOG, completeness of recorded revenue cannot be verified. Also, when receipts are filed without an attached TOG receipt, it is not possible to verify that there funds were deposited with the Treasurer of Guam.
Recommendation:	Receipts with preprinted sequential numbers should be used for all transactions and should be filed with TOG cash receipts. An issuance log should be used to record the physical location of the forms.
Auditee Response:	Corrective action is in progress to provide Department of Public with pre-printed field receipts with control numbers for building permit fees.

Guam Preservation Trust

Schedule of Findings, continued

Finding No: 2006-03

Criteria: Per the Procurement Procedures manual of the Trust, the following is stated:

Procedure for purchases between \$500 and \$10,000: Insofar as it is practical for small purchases of services, supplies or other property, no less than three businesses shall be solicited to submit written quotations or oral quotations that are recorded and placed in the procurement files. Awards shall be made to the business offering the lowest acceptable quotation.

It further states that:

When professional services specified in section 3.04 supra are needed on a recurring basis, the Procurement Officer shall actively solicit persons engaged in providing such services to submit annual statements of qualifications in a prescribed format.

Condition: We noted that the Trust did not obtain the required number of quotations or obtain a Statement of Qualification for services obtained.

Details of findings:

Vendor	Amount Tested	Description
#1	\$5,775	For procurement of goods over \$500, a minimum of three quotations should be obtained. None was filed.
#2	\$2,597	
#3	\$18,712	
#4	\$11,026	For recurring professional fees over \$10,000, a statement of qualification should be filed annually. None was filed.
#5	\$1,155	

Cause: The Trust did not obtain a minimum of three quotations or a Statement of Qualification to justify the selection of vendors/providers.

Effect: The Trust did not comply with their Procurement Procedures.

Recommendation: Management should ensure adherence to its procurement policies.

Auditee Response: Rotation of agents and airlines will be practiced in the future. In previous years other travel agencies were utilized.

All our professional service provider have been asked to provide their statement of qualification and will comply.

Guam Preservation Trust

Schedule of Findings, continued

- Finding No:** 2006-04
- Criteria:** The Trust Procurement Policy, Section 3.04.02 Public Notice, states the following:
- “Notice of the need for services shall be made by the Procurement Officer in the form of a Request For Proposal at least 14 days and not more than 45 days before the proposals are due. Publications of the RFP shall be made at least two consecutive times in a newspaper of general circulation in Guam at least 14 days and not more than 45 days before the proposals are due.”
- Condition:** The selection of two firms for structural engineering assessments did not comply with the Trust’s procurement procedures, based on the RFP requirements. We noted the following:
- Date Published: 12/20/05 & 12/22/05
Deadline for Proposals: 12/30/05
Number of Days: 11 days
- Cause:** The Trust did not provide the minimum amount of time from publication of the need for services and the due date of proposals.
- Effect:** The Trust did not comply with the Procurement Policy, which may have limited the number of proposals received.
- Recommendation:** The Trust should review its Procurement Policy to ensure that the minimum number of days between publication and submission of proposals are met.
- Auditee Response:** The solicitation was to establish a list of interested firms and at the time was not for proposals.
- All interested applicants were reviewed by the Architect Committee and all were asked to submit their proposals.
- The Architect Committee reviewed the interested firms and presented their findings to the Board who authorized for negotiations and selection by the Committee.

Guam Preservation Trust

Schedule of Findings, continued

Finding No:	2006-05
Criteria:	The Travel Policy of the Trust mirrors that of the Government of Guam; however the Travel Policy on file is outdated and contains items that may not apply to the Trust. In addition, it is a general practice of the Trust to require individuals who have traveled using the Trust's fund to submit their boarding pass as support for the travel.
Condition:	The Trust is not consistent in obtaining boarding passes from individuals who have traveled using the Trust's funds.
Cause:	The Trust does not perform adequate procedures to ensure filing of boarding passes by individuals who have traveled using Trust funds.
Effect:	The Trust is not in compliance with its Travel Policy.
Recommendation:	The Travel Policy of the Trust should be updated to reflect the Trust's general procedures. In addition, the Trust should to set a time frame for which boarding passes need to be submitted and set follow-up procedures.
Auditee Response:	Boarding pass and trip report for the Chief Program Officer was recovered. His report was presented and filed in the Master Board of Directors Meeting folder. Boarding passes will be turned in by the Chair & Vice Chair to support the two travel itineraries noted. The trip reports were presented at the Board of Directors Meeting. Boarding passes will be recovered from the two Board Members.

Guam Preservation Trust

Schedule of Findings, continued

Finding No:	2006-06
Criteria:	The Trust's grant agreements require that an Affidavit of Payment of Debts and Claims be signed and notarized for grants that are fully paid.
Condition:	We noted two grants that were fully paid during the year but no affidavit was obtained or filed.
Cause:	The Trust did not follow-up with the grant recipients to obtain the Affidavit.
Effect:	The Trust is not protecting itself from claims of additional payments.
Recommendation:	The Trust should update its grants register and track grants that are fully paid to ensure the receipt of a signed Affidavit of Payment of Debts and Claims.
Auditee Response:	We will obtain notarized affidavits with confirmation that all debts have been paid. Copies will be on file no later than June 9, 2007.

Guam Preservation Trust

Schedule of Findings, continued

Finding No:	2006-07
Criteria:	Grants should be extended to organizations who are in compliance with all laws.
Condition:	Subsequent to approving and releasing partial payment of a grant, the Trust was notified by the Internal Revenue Service that the grantee had unpaid payroll taxes.
Cause:	The Trust was not aware of the unpaid tax obligations of the grantee.
Effect:	Without proper screening of grant applicants, a similar situation may occur whereby monies released by the Trust and subsequently deposited by the grantee, may be levied by the tax authorities. In such an event, the Trust may not be able to recover monies provided to the grantee.
Recommendation:	The Trust should require grant applicants to submit a tax clearance letter indicating that the applicant is compliant with both Guam and U.S. tax obligations.
Auditee Response:	This will be a condition and requirement recommended to the Grants Committee and Board approval as criteria for eligibility of GPT funds.