



**BURGER · COMER · & ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

November 22, 2024

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, 2023, 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:

**Legal Authority of Grantor**

**Comment:** The Trust received a \$200,000 grant directly from the Office of the Attorney General of Guam (OAG) under a Memorandum of Agreement. The source of the funds was a settlement of Superior Court of Guam Civil Case No. (C220601610).

**Recommendation:** We are unaware of the OAG's legal authority to directly spend settlement funds. We suggest the Trust obtain clarification on this matter.

**Investment Policy/Restricted Funds**

**Comment:** The Trust routinely receives funds that have been restricted for use either by the donor or enabling legislation. At September 30, 2023, the Trust had restricted funds of approximately \$3.9 million while cash and cash equivalents totaled approximately \$1.7 million. The difference of approximately \$2.2 million has been invested and exposes the Trust's investments to market risk. While we are not aware of any specific prohibition against this activity, the Trust's investment policy does not explicitly address the practice or the associated use of restricted funds.

**Recommendation:** We recommend the following actions: (1) confirm with grantors whether exposing restricted funds to market risk is permissible, and (2) update the Trust's investment policy to define an acceptable level of risk for restricted funds.

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## **Travel Policy**

We made several observations regarding this policy as follows:

1. **Comment:** A presenter at the World Heritage Workshop traveled to Guam using Business First class accommodations, with the travel costs funded by a grant from the U.S. Department of the Interior. While regulations permit the purchase of the most basic, least expensive unrestricted class of travel available on commercial airlines, our review of the board minutes and discussions with management revealed no documented evidence supporting, justifying, or approving the use of Business First class. Therefore, the use of Business First class travel appears to be in violation of the Trust’s travel policy.

**Recommendation:** The Board of Directors should review and amend the current travel policy to clearly outline the circumstances under which Business First class travel is permitted. Any approval for such travel should be documented and authorized by the Board of Directors.

2. **Comment:** Three individuals traveled to Saipan to attend the Marianas History Conference. Their travel took place the day before the conference, although the conference did not begin until 6 p.m. the following day. Given the short duration of the travel and the lack of time zone changes, this appears to be an inefficient use of funds in relation to the Trust’s mission.

**Recommendation:** The Board of Directors should review this matter and consider revising the travel policy to define when advance travel days are permissible and under what circumstances.

3. **Comment:** An individual traveled to the continental United States to attend two conferences occurring within four days of each other. Between conferences, the individual stayed on the mainland and made an unrelated travel stop, leading to increased airfare costs. While it is clear that the additional costs of returning the traveler to Guam and then flying them back to the second conference were not the most efficient use of funds, the Trust’s travel policy does not currently address such situations.

**Recommendation:** The Board of Directors should review this matter and consider revising the travel policy to specifically address such situations. Side trips that are not directly enroute to the conference destination and back to Guam should be paid for by the traveler.

4. **Comment:** The Trust’s travel policy grants the Chief Preservation Officer the authority to approve staff-level travel without requiring consent from the Board of Directors (the Board). Board approval is only mandated for travel involving Board members.

**Recommendation:** In light of recent public concerns regarding potential misuse of travel funds, we recommend that all travel requests, including staff-level travel, be reviewed and approved by the Board of Directors. Additionally, all approvals should be properly documented in the Board meeting minutes.

**5. Procurement**

**Comment:** Upon reviewing procurement request-for-proposal bid documents, it was observed that the proof of publication was limited to the advertisement proof and did not include the actual published advertisement.

**Recommendation:** A copy of the actual published advertisement, clearly showing the publication date, should be retained as part of the procurement documentation.

**6. Policies**

**Comment:** Many of the Trust’s policies and procedures have not been updated in over a decade.

**Recommendation:** Best practices suggest that policies and procedures be evaluated on a regular basis to consider if they remain efficient and consistent with the Trust’s mission.

**7. Credit Card Statements**

**Comment:** The Trust's credit card was canceled during fiscal year 2023. During the audit, only two credit card transactions were identified, and management provided statements and supporting documents for those transactions. However, management could not provide or obtain credit card statements for all periods when the credit card account was active up to the cancellation date. Copies of these statements were not retained, and management was unable to retrieve them from the credit card issuer.

**Recommendation:** The Trust should ensure that complete accounting records are retained in accordance with its records retention policy.

**8. Permit Fees - Due From General Fund**

**Comment:** Accurate financial reporting is critical for informed decision-making, and identifying and investigating unusual financial activity should be standard practice. Public Law 36-107 restored the Trust’s share of building permit fees to 100% of amounts collected, effective October 1, 2022. However, the fiscal year 2023 financial reports did not properly reflect this change. Instead, amounts received from the General Fund exceeding the previous 50% share were incorrectly recorded as a recovery of bad debt, leading to a reduction in accounts receivable and the related allowance for doubtful accounts.

As of September 30, 2022, the Trust’s financial statements showed a gross amount of \$1,612,143 in unpaid permit fees, nearly all of which was reserved as an allowance for doubtful accounts. It remains unclear why these permit fees, which are statutorily required to be held in a restricted account and remitted to the Trust, remain unpaid.

When attempting to confirm the unpaid permit fees due from the Department of Administration (DOA), the following issues were noted:

1. DOA did not acknowledge amounts due from prior periods.
2. Quarterly remittances of permit fees did not reconcile with the amounts collected for the corresponding periods.

3. DOA confirmed the collection of approximately \$112,000 in permit fees for the fourth quarter of fiscal year 2023. However, according to statutory requirements, these fees should be remitted in the subsequent period. DOA's confirmation indicated only \$37,000 due to the Trust as of September 30, 2023, which conflicts with both statutory requirements and reported amounts.

**Recommendation:** The Trust should urgently engage with DOA to address and resolve these discrepancies. As of the date of this letter, no response has been received. To ensure resolution and maintain financial accountability, it is strongly recommended that the Trust, DOA, and the Department of Public Works collaborate to:

1. Reconcile the actual amounts due.
2. Establish robust internal control policies and procedures to ensure proper collection and remittance of permit fees in compliance with Public Law 36-107.
3. Implement regular reviews and audits to prevent future discrepancies and ensure statutory compliance.

Prompt and coordinated action is essential to address these issues and uphold financial accountability.

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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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