



OFFICE OF THE PUBLIC AUDITOR

**Guam Preservation Trust  
FY 2007 Financial Highlights**

March 17, 2008

The Guam Preservation Trust (GPT) received a 14.5% increase of \$134,000 to \$1.1 million in building permit fees in fiscal year (FY) 2007, compared to \$926,000 in the prior year. Construction activity on Guam directly impacts the amount of building permit fees received. However, the auditors were concerned that GPT may not be receiving full revenues due to unnumbered receipts issued by the Department of Public Works (DPW). The inability to ensure the completeness of the building permit fees collected has been an ongoing challenge for GPT.

**Building Permit Fees is the Primary Revenue Source**

GPT's primary revenue source is building permit fees, which are deposited with the Treasurer of Guam. GPT was established by P.L. 20-151, which required that the fees be maintained separate and apart from all other government funds and expenditures limited to GPT purposes. In 2000, the Legislature authorized \$7.4 million from special revenue funds to pay for government of Guam operational expenses and \$4.7 million was released from GPT.

As construction activity escalates due to the anticipated military buildup in the next few years, GPT is expected to realize a corresponding increase in building permit fees. Of the \$1.1 million in permit fees, GPT committed \$682,000 for nine historic preservation projects ranging from \$5,000 to \$180,000.

**Increase in GPT Expenditures**

While GPT's program services expenditures decreased by \$50,000, or 19.9%, supporting services expenditures increased by \$77,000, or 26.8%, from \$287,000 in FY 2006 to \$363,000. Supporting services is mainly comprised of travel, contractual services, and salaries. Travel and contractual services expenditures nearly doubled from \$22,000 to \$43,000 and from \$23,000 to \$45,000, respectively. During the year, GPT went from three to four employees, resulting in increased salaries of 16% from \$201,000 to \$233,000. The staff are not government of Guam employees and do not contribute to the Government of Guam Retirement Fund.

**Report on Compliance**

The independent auditor's Report on Compliance and Internal Control noted two findings, down from seven in the FY 2006 audit. The two repeat findings were considered significant deficiencies, as follows:

- **Revenue Recognition:** DPW continues to utilize unnumbered manual inter-office memorandums in place of preprinted sequentially numbered receipts. Consequently, GPT may not be receiving all revenues.
- **Lack of Consistency and Supporting Documentation:** DPW continues to be inconsistent in issuing and filing receipts with attached supporting documentation.

**Management Letter**

The Management Letter identified three control deficiencies: (1) no investment policy; (2) non-compliance of grant recipients with report submission; and (3) employee handbook does not include description of GPT's retirement contribution plan.

GPT's FY 2007 financial statements, audited by Ernst & Young, LLP, reported a net increase in assets (net income) of \$563,000 and had an unqualified or "clean" opinion.

For a more detailed commentary on GPT's operations, please refer to the Management Discussion and Analysis in the audit report.