

Management Letter

**Antonio B. Won Pat International Airport
Authority, Guam**

Year ended September 30, 2017



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March 28, 2018

The Board of Directors
Antonio B. Won Pat International Airport
Authority, Guam

In planning and performing our audit of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of and for the year ended September 30, 2017, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control and other matters that we wish to bring to your attention.

Deficiencies

During our audit, we noted the following deficiencies in internal control, as described above:

Capitalized Repairs and Maintenance Costs

Condition:

We noted the Authority improperly capitalized some costs that should have been expensed as repairs and maintenance.

Recommendation:

The Authority should review the nature of costs being included as a part of its work-in-progress projects and ensure it is capitalizable in accordance with accounting principles.

Deficiencies, continued

Customs Fees

Condition:

Under Public Law 23-45, the Authority assesses and collects from air carriers, fees for customs and agricultural inspection services rendered at the terminal. The air carriers are required to remit these fees to the Authority within 30 days from assessment; otherwise a 10% interest should be levied to the air carrier. We noted that 7 out of 37 samples where customs fees were received late from signatory air carriers, but interest was not levied. We also noted that 24 of the 37 samples were not deposited within 5 days of receipt from the air carrier.

Recommendation:

We recommend that the Authority ensure that all air carriers are billed the interest on late remittances. The Authority should continue its efforts to reduce or eliminate delays and remit collections from air carriers within five days of receipt in accordance with Public Law 23-45.

Other Matters

Indirect Cost

Condition:

The Authority currently does not seek reimbursement for indirect cost and, accordingly, has not negotiated for an approved indirect cost rate. Under the New Uniform Grant Guidance issued by the Office of Management and Budget, grant recipients, such as the Authority, could be reimbursed at a de minimis indirect cost rate of 10%.

Recommendation:

We encourage the Authority to review provisions of the New Uniform Grant Guidance specific to indirect cost reimbursements, which can be found in 200.414 Indirect (F&A) costs of 2 CFR 200 Uniform Guidance.

Operating Procedures - Federal Awards

Condition:

The Authority has not formalized its documentation describing the operating procedures on recordkeeping over federal awards.

Recommendation:

The Authority should complete its efforts to collate the required documents into a formal draft, which should be reviewed and approved by the appropriate personnel and made accessible to those that process federal awards. We encourage the Authority to prioritize completion of this project.

Antonio B. Won Pat International Airport Authority, Guam
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This communication is intended solely for the information and use of management and the Board of Directors of the Authority, others within the organization, and the Guam Office of Public Accountability, 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