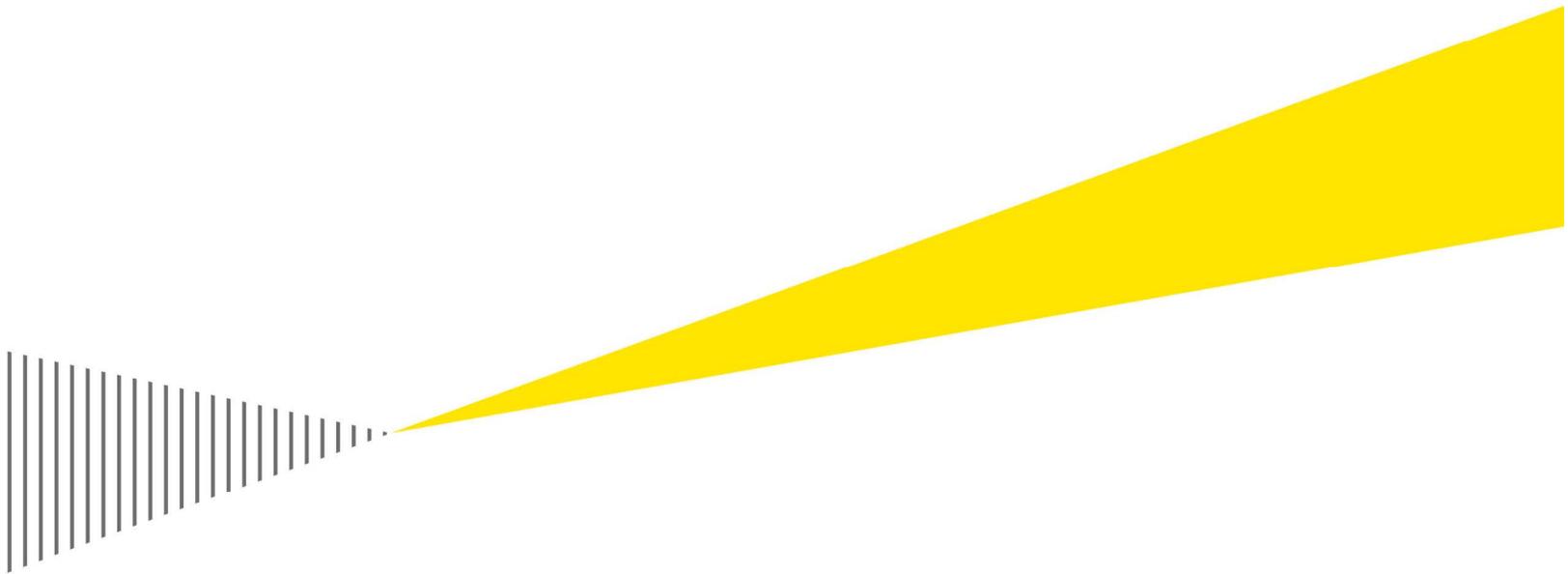


*Management Letter*

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

*Year ended September 30, 2014*



**Building a better  
working world**



Ernst & Young LLP  
231 Ypao Road  
Suite 201 Ernst & Young Building  
Tamuning, Guam 96913

Tel: +1 671 649 3700  
Fax: +1 671 649 3920  
ey.com

January 29, 2015

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, 2014, 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.

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 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 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 deficiencies in internal control, as described above, and other matters:

### Post-closing Journal Entries

#### Condition:

We noted for fiscal year 2014, the Authority provided 26 post-closing journal entries two to six weeks after closing their year-end trial balance. Numerous post-closing entries indicate that the Authority did not complete its financial statement close process in a timely basis.

#### Recommendation:

The Authority should continue its efforts to ensure that its accounting records, including all schedules used to support the trial balance are complete, accurate and prepared on a timely basis. Accurate and timely information is necessary in order to produce meaningful financial statements.

## Strengthen Conflicts Check Policy

### Condition:

As part of our testing on procurement, we requested for the Authority to provide us with a copy of their written conflicts check procedure. Although we were informed that a written conflicts check policy exist, at the time of our audit, it was not made available to us.

### Recommendation:

We encourage the Authority to ensure conflicts checks are in place so that no person involved in (1) purchase orders, (2) requisitions, (3) contract specifications, or (4) the awarding of contracts have either a close family relationship or a financial interest with potential vendors. If a conflict exists, then the person should recuse themselves from the aforementioned procedures.

## New OMB Uniform Guidance

### 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.

## Maintenance of Annual Leave Schedule and Supporting Documents

### Condition:

We noted the Authority continues to have delays in the preparation of annual leave worksheets and the availability of related documents. We also noted that the annual leave schedule included improper summations and errors in formulas that included amounts from the wrong rows, which resulted in differences. We understand that the preparation of the annual leave worksheets is only performed at the end of the year.

Recommendation:

To ensure timely verification of accrued annual leave and accuracy of information, we recommend the Authority perform regular updates on its annual leave worksheets, at least on a semi-annual basis. To protect the integrity of the annual leave schedule worksheets, the Authority should consider checking the formulas used and locking the Excel file so that only certain data can be entered. This would also help the Authority minimize workload at the end of the year and would facilitate early detection of potential errors.

Documented Procedures for the  
Processing of Federal Awards

Condition:

The Authority has several documents describing the operating procedures on recordkeeping over federal awards. However, we observed that these various documents are not collated into a binder(s) that comprise the Authority's standard procedures and policies.

A handbook describing standard operating procedures on recordkeeping over federal awards should be created. This should include a system to alert staff of when the financial and federal reports are due.

Recommendation:

We understand that the Authority has begun a project to compile all documents over recordkeeping of federal awards and collate them into an easily accessible binder. We encourage the Authority to prioritize completion of this project.

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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 have separately reported in our letter dated January 29, 2015 addressed to the Authority's Board of Directors certain information technology issues that we consider to be deficiencies.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young LLP*