

Management Letter

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

Year ended September 30, 2016



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January 30, 2017

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, 2016, 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:

Processing of Employee Payroll

Condition:

During our payroll testing procedures, we identified one sample out of 25 where an employee was not paid their approved over-time as recorded in their time sheet. Due to an oversight, the overtime was accurately captured but not identified as approved in the Authority's timekeeping system which resulted in its exclusion from payroll processing. Procedures performed for processing captured time excludes time that is not approved in the timekeeping system.

Recommendation:

The Authority should revisit its procedures for processing accumulated time to ensure that all time recorded in the timekeeping system is included in payroll processing.

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 21 out of 42 samples where customs fees were received late from signatory air carriers, but interest was not levied. We also noted that 27 of the 42 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.

Work-in-Progress/Financial Statement Close Process

Condition:

We observed immaterial unrecorded depreciation expense related to work-in-progress (WIP).

Recommendation:

The Authority should revisit the accuracy of dates which WIP are closed out. This would help ensure that depreciation expense is properly computed for WIP that is completed and placed into service.

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 30, 2017 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