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January 30, 2014

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, 2013, in accordance with auditing standards generally accepted in 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 2013, the Authority provided 24 post-closing journal entries. 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.

### Customs Fees

Condition:

Under Public Law (PL) 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 collection; otherwise a 10% interest should be levied to the air carrier. The Authority is required to remit all collections, within five days of receipt, to the Treasurer of Guam (TOG) for deposit to the Customs, Agriculture and Quarantine Services Fund.

We noted the following air carriers missed the 30-day deadline to remit customs fees to the Authority. However, no interest was charged to these air carriers.

Air Carrier	Amount	Invoice Date	Receipt Date	No. of Days
6404	\$ 12,523	10/17/12	11/27/12	41
	15,073	11/26/12	12/31/12	35
	17,172	04/12/13	05/31/13	49
	18,037	05/10/13	07/08/13	59
6580	18,489	01/22/13	02/25/13	34
	18,349	06/13/13	07/08/13	25
6005	103,725	06/13/13	07/22/13	39

We also noted the following delays in remittances of fees to TOG:

Month	Air Carrier	Amount	Receipt Date	Remittance Date	No. of Days
Nov-2012	6984	\$ 26,190	10/26/12	11/01/12	6
Dec-2012	6404	12,523	11/27/12	12/12/12	15
	6002	39,839	11/27/12	12/12/12	15
	6984	30,725	11/28/12	12/12/12	14
	6367	81,376	12/03/12	12/12/12	9
Feb-2013	6002	39,725	01/03/13	02/05/13	6
Mar-2013	6580	18,489	02/25/13	03/06/13	9
	6002	40,354	02/25/13	03/06/13	9
	6141	10,837	02/27/13	03/06/13	7
	6367	130,246	02/27/13	03/06/13	7
May-2013	6001	354,055	04/25/13	05/01/13	6
Jun-2013	6404	17,172	05/31/13	06/07/13	7
Jul-2013	6984	30,394	07/01/13	07/24/13	23
	6248	19,869	07/01/13	07/24/13	23
	6002	35,641	07/01/13	07/24/13	23
	6367	83,456	07/01/13	07/24/13	23
	6580	18,349	07/08/13	07/24/13	16
	6404	18,037	07/08/13	07/24/13	16
Aug-2013	6001	294,392	07/25/13	08/01/13	7
	6002	38,465	07/25/13	08/01/13	7
Sep-2013	6005	146,662	08/26/13	09/03/13	8
	6141	21,351	08/28/13	09/03/13	6
	6984	33,085	08/28/13	09/03/13	6

## Customs Fees, continued

### Recommendation:

The Authority should continue its efforts to reduce or eliminate delays and remit collections from the air carriers to the TOG within five (5) days of receipt, in accordance with the requirements of PL 23-45. We recommend that the Authority and the Director of the Customs & Quarantine Agency make a determination as to who will levy the 10% interest on air carriers that do not remit the fees within the 30-day prescribed period.

### **Reiteration of previous year's comments and recommendations:**

## Work-In-Progress Close Outs

### Condition:

The Authority continues to have issues in updating its schedule of work-in-progress for on-going construction projects. As a result, certain completed projects are not timely reclassified out of the work-in-progress general ledger account into a placed in service capital asset category. We noted a post-closing journal entry to transfer approximately \$894,000 in completed projects from the work-in-progress account to capitalized assets. The related depreciation for these projects totaled approximately \$91,000.

Capitalization of fixed assets that are placed in service should be recorded on a timely basis. This would allow for the timely commencement of depreciation and its recognition in the proper accounting period.

### Recommendation:

We recommend that the Authority maintain a work-in-progress control log that would be used to track the various projects and their status. Additionally, the accounting department should consider reviewing the percentage of completion of projects, as noted in the invoices received from contractors and inquire with the engineering department to ensure all completed projects are accounted for. Review of completed projects should, at the least, be done semi-annually.

## 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 understand that the preparation of the annual leave worksheets is only performed at the end of the year.

## Maintenance of Annual Leave Schedule and Supporting Documents, continued

### 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 30, 2014 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*