



*Compliance and Internal Control*

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

*Year ended September 30, 2009*

Ernst & Young

Antonio B. Won Pat International Airport Authority, Guam

Reports on Compliance and Internal Control

Year ended September 30, 2009

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), as of and for the year ended September 30, 2009, and have issued our report thereon dated January 28, 2010. We conducted our audit 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. It has been identified as finding number 2009 – 1. A significant deficiency is a deficiency, or a 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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated January 28, 2010.

The Authority's response to the findings identified in our audit are described above in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, the Office of Public Accountability, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*Ernst + Young LLP*

January 28, 2010

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

### ***Compliance***

We have audited the compliance of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009 – 2 to 2009 – 3.

## ***Internal Control Over Compliance***

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009 – 2 to 2009 – 3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the Authority as of and for the year ended September 30, 2009, and have issued our report thereon dated January 28, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, others within the entity, the Office of Public Accountability, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*Ernst + Young LLP*

January 28, 2010

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 10/01/08	Cash Receipts FY 2009	Allowable Expenditures FY 2009	Receivable from Grantor at 9/30/09
<b>U.S. Department of Transportation</b>							
Direct Programs:							
Airport Improvement Program:							
Conduct Airport Security/Perimeter Road	20.106	3-66-0001-44	\$ 7,703,767	\$ 12,069	\$ 1,344,478	\$ 1,332,409	\$ -
Acquire Passenger Lift Device	20.106	3-66-0001-45	100,000	-	-	-	-
Acquire Runway Sweeper, Rubber Removal Eqpt, Friction Measuring Eqpt.	20.106	3-66-0001-49	375,120	15,827	15,827	-	-
Improve Airport Utility Infrastructure (Water System) - Phase 4	20.106	3-66-0001-50	1,757,000	930,858	930,858	-	-
Misc. Airport Improvements (Demolish Former Naval Housing Units)	20.106	3-66-0001-51	2,282,589	117,111	117,111	-	-
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 2	20.106	3-66-0001-52	5,000,000	1,994,916	2,095,995	101,079	-
Extend Runway 6L/24R - Phase 2	20.106	3-66-0001-55	3,557,107	463,970	463,970	-	-
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 3	20.106	3-66-0001-56	3,500,000	-	3,332,231	3,332,231	-
Extend Runway 6L/24R - Phase 3	20.106	3-66-0001-57	4,536,213	161,970	1,420,263	1,258,293	-
Improve Airport Utility Infrastructure (Water System) - Phase 5	20.106	3-66-0001-58	6,800,000	1,335,325	5,215,724	3,932,554	52,155
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 4	20.106	3-66-0001-59	2,000,000	-	1,588,260	2,000,000	411,740
Complete Construction of Parallel Taxiway (approx. 10,000' x 75')	20.106	3-66-0001-60	6,667,057	1,048,752	6,667,057	5,618,305	-
Extend Runway 6L/24R - Phase 4	20.106	3-66-0001-61	14,000,000	-	7,340,294	9,155,670	1,815,376
Misc. Airport Improvements - Phase 2 (Demolish Former Naval Housing Units)	20.106	3-66-0001-62	2,000,000	347,063	1,926,508	1,579,446	1
Improve Terminal Building (Seismic Zone 4 Upgrades) - Phase 2	20.106	3-66-0001-64	1,148,913	1,004,211	1,148,913	144,702	-
Improve Airport Utility Infrastructure (Electric System) - Phase 1	20.106	3-66-0001-65	7,000,000	-	-	-	-
Conduct Airport Master Plan Study	20.106	3-66-0001-66	700,000	-	-	-	-
Extend Runway 6L/24R - Phase 5	20.106	3-66-0001-67	744,647	-	132,952	132,952	-
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 5	20.106	3-66-0001-69	2,000,000	-	-	165,836	165,836
Extend Runway 6L/24R - Phase 5	20.106	3-66-0001-70	3,294,390	-	-	-	-
Complete Construction of Parallel Taxiway (approx. 10,000' x 75') - Phase 2	20.106	3-66-0001-71	3,005,610	-	2,856,642	2,925,230	68,588
<b>Airport Improvement Program Total</b>			<b>78,172,413</b>	<b>7,432,072</b>	<b>36,597,083</b>	<b>31,678,707</b>	<b>2,513,696</b>
American Recovery and Reinvestment Funds:							
ARRA - Rehabilitate Runway 6L/24R	20.106	3-66-0001-68	4,807,180	-	2,085,900	2,648,193	562,293
<b>Total U.S. Department of Transportation Programs</b>			<b>82,979,593</b>	<b>7,432,072</b>	<b>38,682,983</b>	<b>34,326,900</b>	<b>3,075,989</b>
<b>Department of Interior</b>							
Regional Aviation Safety and Operations Training Program	15.875	OMIP-GUAM-2009-1	300,000	-	136,720	188,759	52,039
<b>Economic Development Administration</b>							
Site Preparation (Grade Elevations) of North Tiyan Properties	11.300	07-01-05790	1,250,000	-	-	143,045	143,045
Site Grading and Utility Infrastructure Hookups to Develop North Tiyan Aviation Industrial Park	11.300	07-01-06272	1,200,000	-	-	176,291	176,291
<b>Public Works and Economic Development Facilities Program</b>			<b>2,450,000</b>	<b>-</b>	<b>-</b>	<b>319,336</b>	<b>319,336</b>
<b>Federal Emergency Management Agency</b>							
Pass-Through Government of Guam, Guam Homeland Security							
Hazard Mitigation Grant Program:							
Utility Power Hardening for Critical Airport Facilities	97.039	FEMA-1446-DR-GU21	5,850,000	351,555	1,045,640	694,085	-
<b>Sub-total Federal Awards, carried forward</b>			<b>\$ 91,579,593</b>	<b>\$ 7,783,627</b>	<b>\$ 39,865,343</b>	<b>\$ 35,529,080</b>	<b>\$ 3,447,364</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards, continued  
Year Ended September 30, 2009

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 10/01/08	Cash Receipts FY 2009	Allowable Expenditures FY 2009	Receivable from Grantor at 9/30/09
Sub-total Federal Awards, brought forward			\$ 91,579,593	\$ 7,783,627	\$ 39,865,343	\$ 35,529,080	\$ 3,447,364
<b>U.S. Environmental Protection Agency</b>							
Brownfields Cleanup Cooperative Agreement	66.818	BF-96984801-0	600,000	16,476	87,128	231,451	160,799
<b>Transportation Security Administration</b>							
National Explosive Detection Canine Team (NEDCT) Program	97.072	HST S04-05-H-CAN103	1,022,500	194,606	455,238	300,500	39,868
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.090	HST S02-08-H-SLR161	721,602	89,889	191,370	122,221	20,740
<b>Total Federal Awards Expended</b>			<u>93,923,695</u>	<u>8,084,598</u>	<u>40,599,079</u>	<u>36,183,252</u>	<u>3,668,771</u>
<b>Other Transaction Agreement (OTA)</b>							
Transportation Security Administration International Transfer Facility	97.unknown	HST S04-06-A-APO060	2,329,000	485,765	84,138	78,274	479,901
CCTV System Upgrade	97.unknown	HST S04-07-A-CTO209	613,838	331,966	331,966	-	-
Transportation Security Administration OTA Total			<u>2,942,838</u>	<u>817,731</u>	<u>416,104</u>	<u>78,274</u>	<u>479,901</u>
U.S. Department of Homeland Security							
Pass-Through Government of Guam,							
Guam Homeland Security							
Responders Equipment - Acquire High Security Portable Plate Barriers	97.unknown	2004-GE-T4-0032	97,228	97,228	97,228	-	-
<b>Total Awards from the United States Government</b>			<u>\$ 96,963,761</u>	<u>\$ 8,999,557</u>	<u>\$ 41,112,411</u>	<u>\$ 36,261,526</u>	<u>\$ 4,148,672</u>

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to the Schedule of Expenditures of Federal Awards

September 30, 2009

### **1. General**

The Antonio B. Won Pat International Airport Authority, Guam, (the Authority), was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam. Only the federal expenditures of the Authority are included within the scope of the audit. The Authority receives federal awards directly from federal agencies as well as federal awards that are passed through from other governmental agencies.

The federal award program titles and Catalog of Federal Domestic Assistance (CFDA) numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*.

### **2. Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

For the purpose of this report, certain accounting procedures were followed which facilitate the presentation of the federal cumulative amount of the grant award and federal funds received and disbursed. Cash receipts relate to all cash received from the cognizant federal agency within the CFDA. Cash receipts do not include matching funds from the Authority. All expenses and capital outlays which represent the federal share of each project are reported as expenditures.

The Authority recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

Qualifying funds expended in excess of federal funds received are recorded as receivables from the grantor agency.

#### *Matching Requirements*

In allocating project expenditures between the federal and local share, a percentage is used based upon local matching requirements unless funds are specifically identified for a certain phase of the project.

#### *Indirect Cost Allocation*

The Authority does not receive any indirect cost allocation and no indirect costs were recorded against any federal program for the year ended September 30, 2009. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

**3. Department of Transportation (DOT)**

The Authority's Airport Improvement Program (AIP) is funded primarily through grants from the U.S. DOT, through the Federal Aviation Administration, under CFDA number 20.106.

*American Recovery and Reinvestment Act (ARRA)*

The Authority was awarded an ARRA grant to fund AIP project number 3-66-0001-68, whose purpose is to rehabilitate runway 6L/24R.

*Cost Allocation*

Certain AIP grants have been combined to fund improvements for similar projects. The grants may fund a specific contract for the project or the cost of the contracts may be split between separate grants. A summary of the projects and funding grant numbers is as follows:

<u>Project Description</u>	<u>AIP Project No. (3-66-0001-xx)</u>
Improve Airport Utility Infrastructure (Water System)	50 and 58
Noise Mitigation Measures for Residences w/in 65-69 DNL	52, 56, 59 and 69
Misc. Airport Improvements (Demolish Former Naval Housing Units)	51 and 62
Extend Runway 6L/24R	55, 57, 61, and 67
Complete Construction of Parallel Taxiway (Approx. 10,000' x 7,000')	60 and 71

**4. Department of Interior (DOI)**

The DOI Operations and Maintenance Improvement Program (OMIP) funds a training program for airport and aviation operations and procedures for airports in the Pacific region. The grants are funded under CFDA 15.875, Economic, Social, and Political Development of Territories.

**5. Economic Development Administration (EDA)**

The Authority's EDA program is funded through grants from the Department of Commerce under CFDA number 11.300.

**6. Federal Emergency Management Administration (FEMA)**

The Authority is a sub-recipient of a Hazard Mitigation Grant Program administered by the Guam Homeland Security Office of Civil Defense and is funded through grants from the Department of Homeland Security under CFDA number 97.039.

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

### Notes to the Schedule of Expenditures of Federal Awards, continued

#### **7. Environmental Protection Agency (U.S. EPA)**

The U.S. EPA, through the Office of Solid Waste and Emergency Response, funded the Brownsfields Cleanup Cooperative Agreement to reimburse related operating expenses for the clean-up of approved sites. These grants are funded under CFDA number 66.818.

#### **8. Transportation Security Administration (TSA)**

The TSA grants were received to reimburse operating expenses related to the National Explosives Detection Canine Team Program and the Law Enforcement Officer (LEO), under CFDA number 97.072 and 97.090, respectively.

#### **9. Other Transaction Agreement**

##### *TSA*

TSA entered into an Other Transaction Agreement (OTA) with the Authority where TSA reimburses the Authority for certain administrative, design, management and construction costs relating to the relocation of the International Transfer Facility and CCTV System Upgrade. As this is an OTA, no CFDA number is associated.

##### *Guam Homeland Security*

The Authority is a sub-recipient of a Guam Homeland Security Grant executed as a Memorandum of Understanding. The grant is to be used to purchase high security portable plate barricades for enhanced security upgrades for the perimeter gates. As this is an OTA, no CFDA number is associated.

#### **10. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and local laws and regulations.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs

Year Ended September 30, 2009

**Part I-Summary of Auditor's Results**

**Financial Statements Section**

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report expressed an unqualified opinion.

Internal control over financial reporting:

Material weakness(es) identified?

           **Yes**        X   **No**

Significant deficiencies identified that are not considered to be material weaknesses?

  X   **Yes**                 **None reported**

Noncompliance material to financial statements noted?

           **Yes**        X   **No**

**Federal Awards Section**

Internal control over major programs:

Material weakness(es) identified?

           **Yes**        X   **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

  X   **Yes**                 **None reported**

Type of auditor's report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report on compliance for major programs expressed an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

  X   **Yes**                 **No**

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part I-Summary of Auditor's Results, continued**

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
ARRA-20.106	Airport Improvement Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$1,088,000

Auditee qualified as low-risk auditee?

       **Yes**        X   **No**

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part II – Financial Statement Findings Section**

This section identified the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

**Finding No. 2009 – 1**

**Internal controls over financial reporting**

**Criteria:**

The controls over the financial statement close process should allow for timely and complete recording of transactions in conformity with applicable accounting standards.

**Condition:**

In accordance with the terms of the September 2000 Quitclaim deed executed between the U.S. Navy and the Authority and the Government of Guam, in exchange for \$10 million, the Authority legally obligated itself to commence pollution remediation. Based on the provisions of Government Accounting Standards Board (GASB) No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* the Authority is required to estimate and accrue the components of expected pollution remediation outlays. We observed that in January 2009, the Authority entered into a five year contract with a service provider to perform required post remediation environmental monitoring for the Authority as called for under the Quitclaim deed. Although this contract was executed in January 2009, the Authority did not make the required estimate of expected future cash outflows to recognize as a liability at the time of closing the year end September 30 accounting records.

**Context:**

We examined the contract with vendor number 5799 and revisited the requirements called for under the Quitclaim deed and ascertained the reasonableness of the assumptions made by the Authority to estimate their required future outlays for environmental monitoring.

**Effect:**

The trial balance for the year ended September 30, 2009 required adjustment by approximately \$210,000 to account for the requirements called for under GASB No. 49.

**Cause:**

GASB No. 49 is a new and reasonably complex accounting standard that involves an event that is not a recurring operation, but rather an unusual event that may be subject to different interpretation. The Authority believed that their contract with vendor number 5799 was a service contract as opposed to a contract to address environmental remediation obligations.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part II – Financial Statement Findings Section, continued**

**Finding No. 2009 – 1, continued**

**Internal controls over financial reporting**

**Recommendation:**

To improve its financial statement closing process, the Authority should revisit the requirements called for by relevant Government Accounting Standards. In addition, the Authority should seek expertise in interpreting complex standards.

**Views of Responsible Officials and Planned Corrective Actions:**

The Authority has estimated the expected future cash outflows to be incurred under the terms of the September 2000 Quitclaim deed and services provided by vendor 5799. The Authority expects this liability to terminate in September 2010. Henceforth, all appropriate liabilities will be recorded based on an executed record of decision.

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section**

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

**Finding No. 2009 – 2**

**Federal Program Information:**

<b>CFDA No.:</b>	20.106 – ARRA
<b>Program Name:</b>	Airport Improvement Program
<b>Grantor Agency:</b>	U.S. Department of Transportation
<b>Federal Award No.:</b>	3-66-0001-68
<b>Federal Award Name:</b>	Rehabilitate Runway 06L/24R
<b>Federal Award Year:</b>	2009
<b>Area:</b>	Reporting, Davis-Bacon Act

**Criteria:**

As a recipient of ARRA funds, the Authority must comply with the reporting requirements of Section 1512 of the Act. Specifically, the Authority needs to report on the impact of the ARRA funded project on job creation and retention.

**Condition:**

The Authority presently does not have in place a process to accumulate data relating to the creation and retention of jobs, including computing the full-time equivalent (FTE) jobs based on the methodology provided by Section 1512 of the Act.

**Questioned costs:**

No questioned costs were noted.

**Context:**

We tested the ARRA quarterly reporting submitted for the October 10, 2009 deadline.

**Effect:**

The data reported for the number of jobs created could not easily be verified and may have been overstated.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 2, continued**

**Federal Program Information:**

**CFDA No.:** 20.106 – ARRA  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-68  
**Federal Award Name:** Rehabilitate Runway 06L/24R  
**Federal Award Year:** 2009  
**Area:** Reporting, Davis-Bacon Act

**Cause:**

The Authority relied on the certified payroll documents received from the contractors and performed a manual count to track the number of jobs created, thus they did not follow the FTE methodology. We also noted that there is no summary or listing of jobs created to prevent or detect for double-counting of individuals. Furthermore, there is no process to ensure the copies of certified payrolls submitted to the accounting department are complete. We also noted that one of the certified payrolls received did not specifically identify the ARRA funded project; instead it stated “Various GIAA Projects.” Thus, we cannot be certain that the employees listed worked on the ARRA-funded project.

**Recommendation:**

The Authority should obtain or prepare a summary of all personnel who worked on the project and consider the number of hours worked in computing the data of jobs created and hours worked. Controls need to be designed to ensure that all certified payrolls received properly indicate the project it represents and that the data is accurately summarized.

**Views of Responsible Officials and Planned Corrective Actions:**

The Authority acknowledges the finding and is in the process of implementing its corrective action plan.

The Authority has already corrected its methodology in computing jobs created by utilizing man-hours to determine full-time equivalents as opposed to positions listed in the certified payrolls. The Authority is also working with the contractor and construction manager to improve the format of the certified payrolls and resolve the issues described in the aforementioned Cause section.

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II)  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Criteria:**

The Davis-Bacon Act requires that construction projects over \$2,000 include a provision for compliance with prevailing wage requirements. It states that a Contractor shall place a copy of the current prevailing wage determination in each solicitation, and award of the contract shall be conditioned upon acceptance of the wage determination. Under this Act, *contractors and sub-contracts are required to pay wages to laborers and mechanics at a rate not less than minimum wages specified in the wage determination* established by the Department of Labor.

**Condition:**

We noted several positions from the certified payroll were not specifically identified in the prevailing wage determination filed with the bid documents. Thus, it appears the Authority did not obtain approval of wage rates used for positions not listed in the wage determinations.

We also noted several instances in which the actual hourly wage rate paid was lower than the prevailing wage rate stated in the bid documents.

**Questioned Costs:**

No questioned costs were noted.

**Context:**

Out of a sample of 25 progress billings, we randomly selected and reviewed the attached certified payrolls. During our testing, we noted seven billings contained certified payrolls with discrepancies. Out of the seven billings, we identified four different contractors and five different projects.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3, continued**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Context, continued:**

<b>AIP No./ Vendor No./ Project No.</b>	<b>Pay Period</b>	<b>Position Noted on Certified Payrolls</b>	<b>Actual Wage Rate</b>	<b>Position Identified by Construction Managers (CM)</b>	<b>Prevailing Wage Rate</b>	<b>Actual Rate Over/(Under) Prevailing Rate</b>
61/4052/ GIAA- FY2K1-13-2	9/7/09- 9/13/09	Screedman	12.81	Asst. Heavy Equipment Op.	---	Not listed. <b>a</b>
		Asphalt Raker	10.28	Asst. Heavy Equipment Op.	---	Not listed. <b>a</b>
59, 69/4737/ GIAA-FY99- 03-2-1C	5/25-31, 8/24-30, 9/14-20	Carpenter	11.00	Carpenter Helper (Construction Helper)	9.34	9.34 <b>a</b>
	5/25-31, 8/24-30	Electrician	14.00	Electrician	14.07	(0.07) <b>b</b>
	5/25-31	Painter	11.00	Painter Helper	11.00	- <b>a</b>
	5/25-31, 8/24-30, 9/14-20	Operator	10.00	Heavy Equipment Operator	13.32	(3.32) <b>b</b>
	6/1/09- 6/5/09	Trainee	6.75	Construction Laborer	8.50	(1.75) <b>c</b>
	6/1/09- 6/5/09	Installer	8.00	Construction Laborer	8.50	(0.50) <b>b</b>
	6/8/09- 6/12/09	Electrician Helper	12.50	Construction Laborer	8.50	4.00 <b>a</b>

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3, continued**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Context, continued:**

AIP No./ Vendor No./ Project No.	Pay Period	Position Noted on Certified Payrolls	Actual Wage Rate	Position Identified by (CM)	Prevailing Wage Rate	Actual Rate Over/(Under) Prevailing Rate
59, 69/4737/ GIAA-FY99-03-2-1C	7/27-31, 8/31-9/4 2009	A/C installer	9.00	Construction Laborer	8.50	0.50 <b>a</b>
	7/27/09-7/31/09	Helper	8.50	Construction Laborer	8.50	- <b>a</b>
59, 69/4737/ GIAA-FY99-03-2-1C	9/14/09-9/20/09	Painter	12.00	Painter Helper	9.34	2.66 <b>a</b>
	9/14/09-9/20/09	Helper	8.00	Construction Laborer	8.50	(0.50) <b>b</b>
	9/7/09-9/13/09	Electrician Helper	10.00	Construction Laborer	8.50	1.50 <b>a</b>
56/4737/ GIAA-FY99-03-2B	9/8/08-9/12/08,	Helper	9.00	Construction Laborer	8.50	0.50 <b>a</b>
	12/15/08-12/19/08	A/C Installer	10.00	Construction Laborer	8.50	1.50 <b>a</b>
	12/15/08-12/19/08	Helper	8.00	Construction Laborer	8.50	(0.50) <b>b</b>
	12/1/08-12/7/08	Electrician Helper	11.50	Construction Laborer	8.50	3.00 <b>a</b>

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3, continued**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Context, continued:**

AIP No./ Vendor No./ Project No.	Pay Period	Position Noted on Certified Payrolls	Actual Wage Rate	Position Identified by (CM)	Prevailing Wage Rate	Actual Rate Over/(Under) Prevailing Rate
58/4009/ GIAA-FY03- 06-05	10/1/08- 10/15/08	Steelman	11.00	Laborer	8.50	2.50 <b>a</b>
	3/29/09- 4/4/09	Steelman	13.50	Laborer	8.50	5.00 <b>a</b>
	10/16/08- 10/31/08	Steelman	12.00	Laborer	8.50	3.50 <b>a</b>
	3/2/09- 3/8/09	Sheetmetal Helper	14.00	Construction helper	9.34	4.66 <b>a</b>
	3/2/09- 3/8/09	Plumber Helper	13.00	Construction helper	9.34	3.66 <b>a</b>
	3/2/09- 3/8/09	Electrician helper	13.50	Construction helper	9.34	4.16 <b>a</b>
	6/15/09- 6/21/09	Electrician Helper	9.00	Construction helper	9.34	(0.34) <b>b</b>
	6/15/09- 6/21/09	Plumber Helper	10.00	Construction helper	9.34	0.66 <b>a</b>
62/5110/ GIAA-FY06- 04-05B	2/1/09- 2/7/09	Labor- Apprentice	6.55	Construction Laborer	8.50	(1.95) <b>b</b>

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3, continued**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Context, continued:**

We shared our findings with the Authority, who then communicated them with their construction managers. We noted the following based on their responses. However, it should be noted the corrections noted as a, b, and c below, were not made until after the results of the audit tests were shared, thus the Authority is not effectively reviewing the certified payrolls on a timely basis.

**a** – Based on the positions identified in the certified payrolls, we noted the Authority is not in compliance with the Davis-Bacon Act. However, the contractor subsequently provided supporting documentation to clarify the actual position of the individual. Based on the position identified by the contractor and concurred by the construction manager, the Authority would then be in compliance with the Davis-Bacon Act.

**b** – The contractor subsequently provided copies of paystubs showing additional compensation provided for the difference in wage rates.

**c** – The contractor subsequently provided documentation stating that this individual was not assigned to the jobsite during the pay-period noted, thus this laborer would not be subject to the Davis-Bacon Act.

**Effect:**

The contractors selected for testing are not in compliance with the Davis-Bacon Act.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2009

**Part III – Federal Award Findings and Questioned Costs Section, continued**

**Finding No. 2009 – 3, continued**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-56 and -59/-69, -58, -61, -62  
**Federal Award Name:** Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 06L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units – Phase II)  
**Federal Award Year:** 2007/2008/2009  
**Area:** Davis-Bacon Act

**Cause:**

Although the Authority performs a review of the certified payrolls, the controls to identify differences between the actual and prevailing wage rates are not in place. In addition, the positions reported on the certified payrolls are not updated to actual positions held.

**Recommendation:**

The Authority should be more diligent and timely in reviewing the submitted certified payrolls to ensure compliance. The Authority's personnel assigned the task of reviewing certified payrolls should be provided copies of the prevailing wage rates. The Authority should specifically select the contractors identified for further investigation and resolve any differences in a timely manner. Any differences noted should be corrected and documented to evidence proper and timely review.

**Views of Responsible Officials and Planned Corrective Actions:**

The Authority acknowledges the finding and has noted the following actions to address them:

- ▶ All positions listed with deficiencies in wages have been corrected and back wages paid. Construction managers have also confirmed that following their further review of all certified payrolls for the audit period, contractors and their subs are in compliance with Davis-Bacon.
- ▶ The Authority will be requesting concurrence from the FAA to adopt the Federal Highway Administration's 2008 manual on the Davis-Bacon Wage and Payroll Requirements.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Prior Audit Findings

Year Ended September 30, 2009

Findings in the prior year Audit Report dated January 20, 2009 are as follows:

**Federal Award Findings and Questioned Costs**

**Finding Number:** 2008-1 and 2007-1  
**CFDA No:** 20.106  
**Program Name:** Airport Improvement  
**Area:** Davis-Bacon Act  
**Questioned Costs:** \$-0-

Status

All positions listed in Finding Nos. 2008 – 1 and 2007 – 1 have been corrected, clarified or had back-wages paid. A final status report was transmitted to the FAA on July 1, 2009.