



OFFICE OF THE PUBLIC AUDITOR

February 4, 2008

**Port Authority of Guam FY 2007 Highlights**

The Port Authority of Guam (Port) closed fiscal year (FY) 2007 with a \$1.6 million (M) increase in net assets, or 5% over \$1.5M in FY 2006. This is the result of increases in operating revenues of \$3.6M and a \$198,000 decrease in operating expenses. This is the fifth year the Port reported an increase and is the second government of Guam entity to issue its FY 2007 audited financial statements, four months after the September 30, 2007 fiscal year end. Independent auditors, Deloitte & Touche, rendered an unqualified, or “clean,” opinion on the financial statements.

***Operating Revenues Up By \$3.6M***

The \$3.6M increase in operating revenues was mainly attributable to the rise in cargo handled by the Port and adjustment to rates. More container ships came into the Port and cargo tonnage increased from 1.9M tons to 2.1M tons. Cargo revenues were up by \$3M from \$17.8M to \$20.8M. Wharfage, rental, and special services revenues were also up by \$744,000.

Overall, the Port decreased its expenses by \$198,000 from \$27.3M in FY 2006 to \$27.1M. The number of employees increased by 11 from 314 to 325, which increased payroll related expenses slightly by \$275,000 to \$15.9M from \$15.6M in FY 2006.

Significant cost increases include:

- \$250,000 for the Workmen’s Compensation injury allowance, from \$106,000 in FY 2006 to \$357,000 in FY 2007. The Port was required to pay for five employees’ surgeries and related costs.
- \$175,000 for legal counsel. There were no legal costs in FY 2006 because the Port utilized the Attorney General for legal services.

The Port reported a \$2.5M cash decrease as of September 30, 2007, from \$16.3M in FY 2006 to \$13.8M. Approximately \$10M of the Port’s cash is in 90-day short-term investments. In FY 2007, \$7.1M in cash was used to pay for capital assets including a mobile crane, crane refurbishments and upgrades, tractors, and vehicles. Capital assets after depreciation increased \$4.5M, or 11%, and the Port’s disposal loss amounted to \$139,000.

The Port continues to invest in capital improvement activities to address aging equipment, improve services, and prepare for the expected military buildup. Projects include gantry crane refurbishments, earthquake repairs, Agat Marina repairs and gantry rail repairs. Approximately \$3.8M has been set aside to continue earthquake repairs.

### ***Crane Procurement Results in Cancellations or Protests***

The Port is unable to obtain new gantry cranes to augment or replace aging cranes, critical for the increase in cargos expected by the imminent military expansion. Since 2001, the Port's attempts to procure gantry cranes have resulted in cancellations or protests. A timeline of the crane's procurement history follows:

1. Request for Proposal (RFP) issued in December 2001 and cancelled in April 2003.
2. RFP issued in June 2006 and cancelled in July 2006.
3. Multi-Step Bid (MSB) issued in September 2006, protested and appealed in November 2006, and cancelled and dismissed in December 2006.
4. MSB issued in January 2007 and cancelled in May 2007.
5. Invitation for Bid issued in August 2007, cancelled in November 2007, and protested in December 2007.

The Port's 2008 strategic plan places the gantry crane as its number one priority.

### ***Management Letter Findings***

The Port's report on compliance and internal controls did not disclose any material weaknesses. However, a separate management letter identified eight findings, six more than the two reported in FY 2006. Current findings include:

- Certain Port employees have been detailed to the government of Guam General Services Agency (GSA) to be trained on procurement policies and procedures for more than a year. However, GSA has not provided a formal documented training program for the employees and a date for their return to the Port.
- Several purchase requisitions tested did not evidence authorized management signatures.
- The Port entered into a memorandum of agreement (MOA) for equipment repair and maintenance services in July 2003, using the emergency procurement. However, services continue to be rendered based on this MOA.
- Accounting personnel have access to other computer application programs outside of their areas of responsibility.

For further discussion, see the Management's Discussion and Analysis.