

*Management Letter*

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

*Year ended September 30, 2008*



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

In planning and performing our audit of the financial statements of Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of and for the year ended September 30, 2008, 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 Company's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

During our audit, we noted control deficiencies, as defined above, which are described in Findings 2008-1 through 2008-5 in the following pages. Other matters are described in Findings 2008-6 through 2008-8.

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 Office of the Public Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

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

A handwritten signature in black ink that reads 'Ernst &amp; Young LLP'.

January 20, 2009

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Control Deficiencies**

**Finding Number 2008-1**

**Amortization of Additional Bond Issue Costs**

Condition:

The Authority has not amortized certain costs incurred during fiscal year 2006 related to bond issuance. The accumulated amortization that has not been recorded as of September 30, 2008 is approximately \$63,000. This unrecorded accumulated amortization of bond issuance cost is not material to the Authority's financial statements.

Recommendation:

Although the unrecorded accumulated amortization is not material as of September 30, 2008, the effects of not amortizing in future years may result in a material misstatement to the Authority's financial statements. Accordingly, we recommend the Authority to make corrective measures to ensure all deferred costs are properly amortized.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Finding Number 2008-2**

**Acceleration of Depreciation for Certain Costs of Improvements**

Condition:

The Authority incurred cost for the design of a museum under the Authority's outreach program. The cost incurred, which includes architectural design fees and fixtures, are recorded as a capital asset included as part of the Authority's building structure. These costs are depreciated over a 15 year estimated useful life that is applicable to building and land improvements. At September 30, 2008, these assets have a remaining book value of \$1,124,010.

Depreciation expense for the cost attributed to the museum may be understated as the assigned 15 year useful life appears excessive. The Authority's accounting policy on estimated useful lives of fixtures and equipment normally ranges from 3 to 5 years.

Recommendation:

We recommend the Authority to revisit the useful life assigned specifically to the cost incurred for the intended museum.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Finding Number 2008-3**

**Unused Annual Leave Credits from February 28, 2003**

Condition:

Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated 4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess shall be lost.

During our audit, we noted some errors in the number of unused leave credits that were earned prior to February 28, 2003 as shown in the payroll system. The errors were a result of manually inputting the unused leave credits earned prior to February 28, 2003 into the payroll system.

The errors may adversely affect the number of forfeited leave credits to some employees who exceed the limit of 320 hours.

Recommendation:

The Authority should immediately revisit the remaining number of leave credits carried over from February 28, 2003 and make appropriate adjustments.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Finding Number 2008-4**  
**Work-in-Progress Close-Outs**

Condition:

We noted some instances where completed projects are not timely reclassified out of the work-in-progress general ledger account and into a correct capital asset category.

Capitalization of fixed assets that are placed in service should be recorded in the proper accounting period. This would allow for the commencement of depreciation expense to be recognized in the proper accounting period the capital asset has been placed in service.

Recommendation:

The Authority should periodically scrutinize work-in-progress projects and close-out portions that have been completed and placed into service.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Finding Number 2008-5**  
**Information Technology**

Condition:

We noted the following in regards to the Authority's Information Technology environment:

1. System Values do not meet the security best practices. System Values set as default from IBM have not been changed or updated.
2. User accounts which are inactive have not been removed or disabled in the system. User accounts are not properly monitored for inactivity.

Recommendation:

1. QPWDRQDDIF should be set to value 1 thru 7. Current value is set to \*NONE. Previous passwords can be reused again which limits required password change effectiveness.

QPWDRQDDGT should be set to minimum of 1. Current value is set to 0 so no digit is required in password. Best practices for passwords are to have the following:

- Should contain at least 1 digit.
- At least 1 uppercase character.
- Minimum 8 characters in length.
- Password change should be set at 60 to 90 days.
- Should not contain repetitive characters.

QALWOBJRST should be set to \*NONE during normal operation and changed to \*ALWPGMADP prior to restoring or installing applications. Leaving the System Value QALWOBJRST to the \*ALL setting will allow a program to install without appropriate security checks and access control restrictions.

2. User accounts which have no activity for the past 6 months should be removed or disabled. Not properly monitoring inactive user accounts can lead to user accounts being compromised.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Other Matters**

**Finding Number 2008-6**

**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 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 (C&Q) Services Fund.

*(Note: See Finding Number 2007-5 in prior year's management letter dated January 12, 2008)*

During our audit, we noted the following delays in remittances of fees to TOG:

<b>Month</b>	<b>Airline</b>	<b>Amount</b>	<b>Date of Receipt</b>	<b>Date of Remittance</b>	<b>No. of Days</b>
1) October-07	CN6005	163,763.64	10/12/07	10/19/07	7
	CN6001	127,288.29	10/12/07	10/19/07	7
2) December-07	CN6002	135,957.72	11/30/07	12/06/07	6
	CN6006	30,712.44	11/30/07	12/06/07	6
3) January-08	CN6005	117,780.84	01/04/08	01/11/08	7
4) February-08	CN6404	4,135.09	02/22/08	02/29/08	7
	CN6514	114.48	02/21/08	02/29/08	8
5) April-08	CN6773	25.44	03/13/08	04/04/08	22
6) June-08	CN6006	25.44	05/30/08	06/06/08	7
7) July-08	CN6141	8,306.16	06/27/08	07/03/08	6
8) August-08	CN6580	20,095.10	07/28/08	08/29/08	32
	CN6580	911.98	08/14/08	08/29/08	15
	CN6580	20,294.76	08/14/08	08/29/08	15
	CN6580	29,713.92	08/14/08	08/29/08	15
	CN6580	10,579.34	08/14/08	08/29/08	15
9) September-08	CN6006	32,297.84	08/28/08	09/05/08	8
	CN6002	140,816.76	08/29/08	09/05/08	7



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Management Letter, continued

**Finding Number 2008-6, continued**

**Customs Fees, continued**

The Authority missed the five day deadline to remit customs fees. However, it should be noted that there has also been an improvement in the timeliness of remittance of customs fees during the current year. The combined Custom Fees and Landing and Parking (L&P) payments made by the air carriers are deposited directly to the Authority's General Revenue Funds. The Custom Fees are then segregated and transferred to the Custom Facilities Charges (CFC) account.

Recommendation:

We recognize the improvements and we encourage the Authority to continue its efforts to remit collections from carriers to the TOG within five (5) days of receipt, in accordance with the requirements of PL 23-45.

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Management Letter, continued

**Finding Number 2008-7**  
**Accounts Receivable – Customer No. 6142**

Condition:

The Authority has outstanding receivables due from Customer No. 6142 (CN6142). *(Note: See Finding Number 2007-2 in prior year's management letter dated January 12, 2008.)*

A memorandum of agreement has been executed between CN6142 and the Authority pursuant to Public Law 29-82 regarding the payment of the agreed amount of CN6142's outstanding receivables. The Authority understands that a request for payment of the agreed amount has been submitted to the Guam Department of Administration. However, the Authority was informed that the release of checks in payment of the agreed amount was put on hold due to unavailability of funds.

The Authority's position is that they will continue to assess rental charges to CN6142 as long as CN6142 continues to occupy the Authority's property. The Authority has assessed the rental despite the fact that CN6142 has not remitted rental payments for several years.

Recommendation:

The Authority should take all legal efforts to collect from customer CN6142.

Antonio B. Won Pat International Airport Authority, Guam

Management Letter, continued

**Finding Number 2008-8**  
**Environmental Pollution Remediation Obligations**

Condition:

The September 2000 quickclaim deed entered into between the United States Navy, the Government of Guam and the Authority included a provision that in exchange for receipt of \$10 million from the United States Navy, the Authority will obligate itself to perform environmental monitoring on the Tiyan property. Such obligation includes periodic monitoring for contamination levels of the groundwater.

Government Accounting Standards Board Statement No. 49 identifies monitoring of the remediation effort to meet the definition of a pollution remediation activity. GASB 49 requires that pollution remediation liabilities should be recognized as the range of their components becomes reasonably estimated. Pollution remediation liabilities should be measured using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts-the estimated mean or average.

As of September 30, 2008, the Authority concluded that they were unable to reasonably estimate its pollution remediation obligations.

Recommendation:

We recommend that the Authority continue efforts to determine reasonable estimates of its costs to perform periodic monitory of the groundwater. Although the Authority could not reasonably estimate its obligation as of September 30, 2008, GASB 49 requires that estimates of pollution remediation liability be adjusted when benchmarks are met or when new information becomes available.