

PORT AUTHORITY OF GUAM

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND INTERNAL CONTROL**

SEPTEMBER 30, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Port Authority of Guam:

We have audited the financial statements of the Port Authority of Guam (the Authority) as of and for the year ended September 30, 2002, and have issued our report thereon dated October 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item numbers 02-1 through 02-10.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors and management of the Port Authority of Guam, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte + Touche LLP

October 10, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
Port Authority of Guam:

Compliance

We have audited the compliance of the Port Authority of 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, 2002. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. 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 of America; 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 on the Authority's compliance with those requirements.

As described in finding 02-11, in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with the reporting requirements that are applicable to its Hazard Mitigation grant (CFDA #83.548). Compliance with such requirements is necessary in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port Authority of Guam as of and for the year ended September 30, 2002, and have issued our report thereon dated October 10, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary 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 financial statements. This schedule is the responsibility of the management of the Authority. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Directors and management of the Authority, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte + Touche LLP

October 10, 2003

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Schedule of Expenditures of Federal Awards
Year Ended September 30, 2002

<u>Grantor/CFDA Grantor's Program Title</u>	<u>Federal CFDA Number</u>	<u>FY 2002 Cash Receipts</u>	<u>Expenditures</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Pass-Through Government of Guam Department of Administration:			
Hazard Mitigation	83.548	<u>454,737</u>	<u>454,737</u>
Total Federal Emergency Management Agency		\$ <u>454,737</u>	\$ <u>454,737</u>
Total Federal Awards		\$ <u>454,737</u>	\$ <u>454,737</u>

The schedule of expenditures of federal awards was prepared using the accrual basis of accounting

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Schedule of Findings and Questioned Costs
September 30, 2002

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, none of which were considered to be material weaknesses.
3. There were no instances of noncompliance considered material to the financial statements.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were not identified.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Authority's major program is:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Hazard Mitigation	83.548

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Authority did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2002-01	Audit Adjustments	\$ -
2002-02	Revenue	\$ -
2002-03	Property: Surveyed Items	\$ -
2002-04	Open Payables Invoice	\$ -
2002-05	Space Lease Income	\$ -
2002-06	Payroll	\$ -
2002-07	Procurement	\$ -
2002-08	Property – Subsidiary Ledger	\$ -
2002-09	Employee Insurance Enrollment Card	\$ -
2002-10	Property Acquisition	\$ -

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2002-11	Reporting	\$ -

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-1 – Audit Adjustments

Criteria: Audit adjustments proposed by external auditors and approved by the Authority necessary to reconcile accounts to audit balances should be posted immediately upon issuance of the audit report or soon thereafter.

Condition: As of the beginning of the fiscal year 2002 (June 2003) and fiscal year 2001 audit (July 2002), several prior audit adjustments, accepted by the Authority, had not been posted or were improperly posted to the Authority's records.

Cause: The cause of the original failure to record adjustments is unknown. However, as time passed and new officials were put in charge of coordinating the external audit, details of the audit corrections were lost and the Authority could not then accurately post adjustments to appropriate accounts.

Effect: Because the audit adjustments have not been recorded, management and the board of directors appear to have been using, for analysis and decision making purposes, internal financial information that differs materially from the audited financial statements.

Prior Year Status: This condition was also noted during the 2001 audit.

Recommendation: Management should post all necessary audit adjustments. Management and a senior accounting staff member should be tasked with the annual posting of audit adjustments, which should occur immediately upon issuance of the annual audit report or soon thereafter. If past audit adjustments can no longer be understood or accounts no longer identified, the Authority should contact predecessor and current auditors for the details.

Auditee Response dated January 7, 2004: The Port Authority of Guam agrees with these findings.

The transition from internal accounting officials and auditors are the main reasons why it has been difficult for the current accounting officials to post the proposed adjusting entries for prior fiscal year. Since the transition, problem areas have been resolved and isolated to certain areas in Accounting. Any pending entries will all be completed in Fiscal Year 2003. All adjusting entries for Fiscal Year 2002 will be posted in Fiscal Year 2003.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-2 – Revenue

Criteria: All major adjustments or reclassifications made by the Port to account balances should be properly documented and supported by explanatory schedules, letters or memos describing changes made and reasons therefore. Such documentation should be filed and kept safe from loss.

Condition: Upon review of forty revenue transactions, we noted two billing items were not ‘picked up’ within invoice generation. These items are usually identified by Revenue accountants and corrected prior to invoice transmittal to customers. One item noted was transshipment charges of \$11,025, which was subsequently corrected. We also noted an instance of invoice dispute by a customer, wherein the Port’s resolution provided for a credit to the customer’s account. However, the credit appears to have been issued in error, as details of the transaction show that the customer was actually undercharged by approximately \$4,000.

Cause: The cause for this condition is likely due to lack of manpower for review of billing items.

Effect: The lack of proper review within the billing process may lead to an understatement in customer billings, which will ultimately lead to a lesser amount of cash available to fund operations.

Recommendation: The Authority should implement a system of review within the customer billing process. Staff level personnel involved should be properly instructed, guided and reviewed throughout the process to ensure that steps taken are properly performed and adequately documented.

Auditee Response dated January 7, 2004: The Port Authority of Guam concurs that all major adjustments or reclassifications made to the account balances be documented and supported by explanatory schedules, letters or memos.

During Fiscal Year 2002, we encountered problems with the computer system. Certain changes in the Tariff rates were not picked-up in the initial implementation and were corrected through a separate invoice. After the Accounting Technician processes billings, the Accounting Technician Supervisor reviews the billing report with supporting Operations documents before the invoices are printed and distributed to the customers.

There are billings to the agents that they continue to dispute tariff regulations because of various reasons such as differences in interpretation and/or equipment performance. At times, management considers their disputes and agrees to a discounted rate.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-3 - Property - Surveyed Items

Criteria: Items that have been surveyed and deemed beyond economical repair should be disposed of and/or transferred to GSA in a timely manner.

Condition: The following items, which had been deemed beyond economical repair were surveyed (possession transferred to General Services Agency) but not timely updated within the accounting modules.

<u>Asset</u>	<u>Description</u>	<u>Cost</u>	<u>Survey Date</u>	<u>Disposal Date</u>
340	Tractor #27	\$50,565	April 6, 2001	March 27, 2002
341	Tractor #28	\$50,565	April 6, 2001	March 27, 2002
350	Tractor #37	\$48,447	April 6, 2001	March 27, 2002
352	Tractor #39	\$48,447	April 6, 2001	March 27, 2002
360	Tractor #47	\$56,444	November 6, 2001	March 27, 2002
361	Tractor #48	\$56,444	November 6, 2001	March 27, 2002
364	Tractor #51	\$57,443	November 6, 2001	March 27, 2002
381	Forklift #89-13	\$31,374	April 9, 2001	March 27, 2002
393	Forklift #92-26	\$39,900	April 4, 2000	April 27, 2001
395	Forklift #92-28	\$39,900	April 4, 2000	April 27, 2001
397	Forklift #90-160	\$70,980	April 4, 2000	April 27, 2001
399	Forklift #90-19	\$43,194	March 28, 2000	April 27, 2001
400	Forklift #158	\$63,020	April 4, 2000	April 27, 2001
408	Container Chassis	\$22,790	January 20, 2000	April 7, 2001
417	Dock mule #1	\$500	April 3, 2000	April 7, 2001
418	Dock mule #2	\$500	April 4, 2000	April 7, 2001

Cause: The cause of this condition is an apparent oversight by the Authority during a major revision of its property, plant and equipment subsidiary ledger in 2001.

Effect: No known material effect on the financial statements results from this condition.

Prior Year Status: This condition was also noted during the 2001 audit.

Recommendation: The Authority should review its process for surveying equipment and should ensure a step or steps are included that require PP&E listings to be promptly updated for any changes to an item's status, such as usefulness, useful life or location.

Auditee Response dated January 7, 2004: The Port Authority of Guam agrees with these findings.

Between Fiscal Year 2001 and 2002 the Port was in the process of transitioning on-line for the fixed assets module. The focus was to enter all fixed assets from the old system to the new system. All prior surveyed items were corrected in Fiscal Year 2002. Currently, the Property Control Officer prepares paperworks of items surveyed to GSA and submits it to the Fixed Assets Accountant for disposal in the system to match with the general ledger in the correct transaction date.

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Schedule of Findings and Questioned Costs
September 30, 2002

Finding Number 02-4 – Open Payables Invoices

Criteria: Open invoices should be properly maintained in a secure area.

Condition: Per review of accounts payable detail, it appears that invoices from Treasurer of Guam and General Services Agency have not been properly maintained.

Cause: The cause of this condition is unknown.

Effect: The Authority is unable to verify and reconcile payable amounts and determine the accuracy of charges. As a result, accounts payable may be over or understated.

Recommendation: We recommend that all invoices be properly safeguarded.

Auditee Response dated January 7, 2004: The Port Authority of Guam concurs that open invoices should be maintained in a secured area.

The Department of Administration has been delayed in their submission of invoices with regards to fuel and supplies.

During year-end closing, normal expenses that have not been invoiced are entered as an accrual expense in the books. Once the actual invoice is received, the accrual entry will be reversed.

Accounting staff consistently follow-up with Department of Administration on any pending charges especially before year-end closing.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-5 – Space Lease Income

Criteria: Lease agreements should be signed by both parties to confirm that the contract has been executed and is considered binding. Lease agreements should be reviewed and processed in a timely manner, to ensure that all spaces being used are covered by a written, executed lease agreement.

Condition: Out of fifteen lease agreements tested, two were not signed by both parties.

Cause: The cause of this condition is unknown.

Effect: Lease agreements may not be considered binding and parties may not be held accountable if default occurs.

Recommendation: We recommend that lease agreements be signed by both parties and be properly safeguarded. Moreover, a review process should be in place to adequately determine that all areas being used are covered by a signed lease.

Auditee Response dated January 7, 2004: The Port Authority of Guam agrees with these findings.

All discrepancies found by the Commercial staff are being corrected and assuring that all contracts have the proper signatures.

The Commercial Division has implemented as their standard procedure to conduct a site visit on location under commercial leases and marinas. This is to determine that areas being used are covered by a signed lease.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-6 – Payroll

Criteria: Changes on an employee's pay rate and/or deductions should be processed in a timely manner.

Condition: One employee out of forty-four tested was not paid at his established rate of pay.

Cause: The cause of this condition is an insufficient coordination between Human Resources and Payroll personnel.

Effect: Payroll expense and related deductions may be misstated.

Recommendation: The Port should ensure that any changes as reflected on an individual's personnel action form (PAF) are updated on a timely basis and properly secured to ensure that any changes, such as rate of pay and other elected deductions, will be adjusted in a timely manner.

Auditee Response dated January 7, 2004: The Port Authority of Guam agrees with these findings.

Upon review of personnel action log book, the processing of personnel action form timeframe between the effective date of the employee's pay adjustment and the transmittal of the form to Payroll Section by the Human Resources Division is usually between 3 to 7 work days. Those personnel actions transmitted to the Payroll Section over this timeframe period were for extension of detail appointment pay adjustment, which must be approved by the Civil Service Commission prior to us processing such actions – sometimes 3 months after the effective date. This type of situation is beyond our control. Upon receipt of the personnel actions, it is the responsibility of the Payroll Section to make the necessary pay rate changes in the system. In reference to deductions, the Human Resources Division is responsible for the health and life insurance benefits for employees, which is done once a year. As we can recall, we did not encounter any problems on the changes of benefits for employees during Fiscal Year 2002. The Authority will review its transmittal of personnel actions and payroll deductions process and ensure that such changes are made on a timely basis. Both the Human Resources Division and Payroll are improving in communication so changes are made on a timely manner.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-7 – Procurement

Criteria: The procurement process requires that requisitions for materials be responded to in a timely manner. Purchase orders should be issued prior to receipt of goods and services.

Condition: We noted a purchase of goods wherein the purchase order was issued the day after the goods were received.

Cause: The lack of review of requests causes less-than-timely processing of purchase orders.

Effect: While there is no direct financial statement impact, the condition may bring to question certain underlying account balances.

Recommendation: The Port should establish, implement, and monitor a firm policy over accountability for the processing of purchase orders.

Auditee Response dated January 7, 2004: The Port Authority of Guam concurs with these findings.

There were minor instances when purchase orders are still being processed for final signature but some vendors are aggressive in delivering the items. Since these items were urgently needed by the responsible section, it was accepted prior to the release of the purchase order.

Currently, the Procurement Section is following the standard procedure: Once they receive a requisition from the section, they ask for quotations from vendors. After 3 days from the initial process, Procurement selects the vendor based on the lowest cost or availability. The purchase order is usually issued after 7 days from the selection date.

The Supply Section is instructed not to receive items until a copy of the purchase order is received or until they receive confirmation from Procurement.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number 02-8 – Property – Subsidiary Ledger

Criteria: Property, plant, and equipment (PP&E) should be properly supported by an accurate subsidiary ledger. Information maintained should include the original cost and subsequent related improvements or betterments. Accurate related depreciation/accumulated depreciation listings should also be maintained.

Condition: During 2002, the Port did not maintain accurate PP&E listings. We were provided listings of fixed assets within the subsidiary ledgers which did not agree to the general ledger balance.

Adjustments were recorded during the audit to reconcile the general ledger with the subsidiary ledgers.

Cause: The cause of this condition is audit adjustments are posted in the general ledger only and the subsidiary ledgers are not appropriately updated.

Effect: The propriety of underlying accounting balances may be questioned. Furthermore, the control procedure of attempting to reconcile physical assets with accounting records is rendered ineffective. Depreciation expense may be improperly computed.

Recommendation: The Port should promptly update PP&E listings for any changes to an item's status, such as usefulness, useful life, location or auditors' adjustments.

Auditee Response dated January 23, 2004: The Port Authority of Guam agrees with these findings.

A senior accountant is reconciling property, plant and equipment with the auditor's property listing. Any variance with the audit, adjusting entries will be entered in the books and posted in the property, plant and equipment listing. The Property, plant and equipment ledger balance for Fiscal Year 2003 will be accurately supported by a subsidiary ledger.

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Schedule of Findings and Questioned Costs
September 30, 2002

Finding Number 02-09 – Employee Insurance Enrollment Card

Criteria: Employees' insurance enrollment cards should be updated on a yearly basis, signed by employees and be properly secured to provide documentation for payroll insurance deductions.

Condition: Out of eleven employees tested, five were missing an updated insurance enrollment card.

Cause: This condition occurred due to the lack of enforcement of employees' updating of insurance cards.

Effect: Insurance expense and payroll insurance deductions may be immaterially misstated.

Recommendation: Insurance enrollment cards should be updated on a yearly basis and properly secured to ensure that insurance changes, such as type of insurance or class, will be made in a timely manner.

Auditee Response dated February 3, 2004: The Port Authority of Guam agrees with this finding.

Human Resources Division assumed the employee benefits for health and life insurances effective October 1, 2000. All enrollment or changes of status forms prior to October 1, 2000 were filed with Payroll Section under the Finance Division. Rather than having the employees complete an enrollment form, the Human Resources Division will be working with Payroll Section to merge the medical and life insurance documents for all employees.

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Schedule of Findings and Questioned Costs
September 30, 2002

Finding Number 02-10 – Property Acquisition

Criteria: The acquisition of fixed assets should be a cooperative effort between management and engineering to ensure items will be fully utilized.

Condition: We reviewed thirty-six (36) assets, with a total cost of \$60,165,835 and a net book value at 9/30/02 of \$40,867,473. We were informed that the following asset has not been used since being placed in service in October 1998. Moreover, it was noted that the item is intended to be used with an articulated gantry crane. However, the Port currently uses only fixed gantries.

Asset #	Description	Year	Cost	NBV at 9/30/02
1642	New Spur Rails	1998	\$ 1,051,260.60	\$ 946,134.36

This asset was written off during the audit.

Cause: It appears that this asset was acquired without input of engineering and consulting personnel.

Effect: Over \$1 million was spent to acquire an asset that cannot presently be used by the Authority.

Recommendation: The Authority should establish, implement and monitor a firm policy over accountability for fixed assets and equipment purchases. Asset purchases of this magnitude should be approved by the Authority’s Board of Directors.

Auditee Response dated February 4, 2004: The Port Authority of Guam agrees with this finding.

The current management and board of directors of the Port are in the process of privatizing the terminal and maintenance operations of the Port. There are no plans of investing on articulating the wheels of the old gantries. It is therefore recommended by current board and management to write off the remaining value of the spur rails.

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Schedule of Findings and Questioned Costs September 30, 2002

Finding Number: 02-11
CFDA No.: 8.548
Program Name: Hazard Mitigation
Area: Reporting
Questioned Costs: \$0

Criteria: Subgrantees are required to submit progress reports to the Guam hazard mitigation office on a quarterly basis until project closeout. The Authority's first quarterly report was due January 15, 2000.

Condition: The Authority failed to prepare a quarterly progress report for the period from October 1, 2000 through December 31, 2000, for its FEMA Hazard Mitigation program for the construction of concrete shelters for electrical substations and generator sets. In addition, total project costs per the quarterly progress reports appear to have been significantly under reported as of the project closeout date of September 30, 2002.

Cause: Controls over reporting associated with the Authority's Hazard Mitigation Grant Program are weak.

Effect: The Authority appears to be in noncompliance with the FEMA Hazard Mitigation Grant Program.

Recommendation: Management should immediately complete and submit correct quarterly status reports for the periods of October 01, 2000 through December 31, 2000 and January 01, 2002 through September 30, 2002.

Auditee Response dated January 23, 2004: The Port Authority of Guam concurs with these findings.

The Finance Division is addressing this issue by working side by side with CIP and Facility to submit quarterly reports as required by FEMA and the Government of Guam Recovery Coordinating Office.

PORT AUTHORITY OF GUAM

Prior Years' Findings and Questioned Costs
September 30, 2002

The status of unresolved questioned costs from prior year audit reports is as follows:

Questioned Costs per the September 30, 1998 audit report	\$ <u>39,322</u>
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