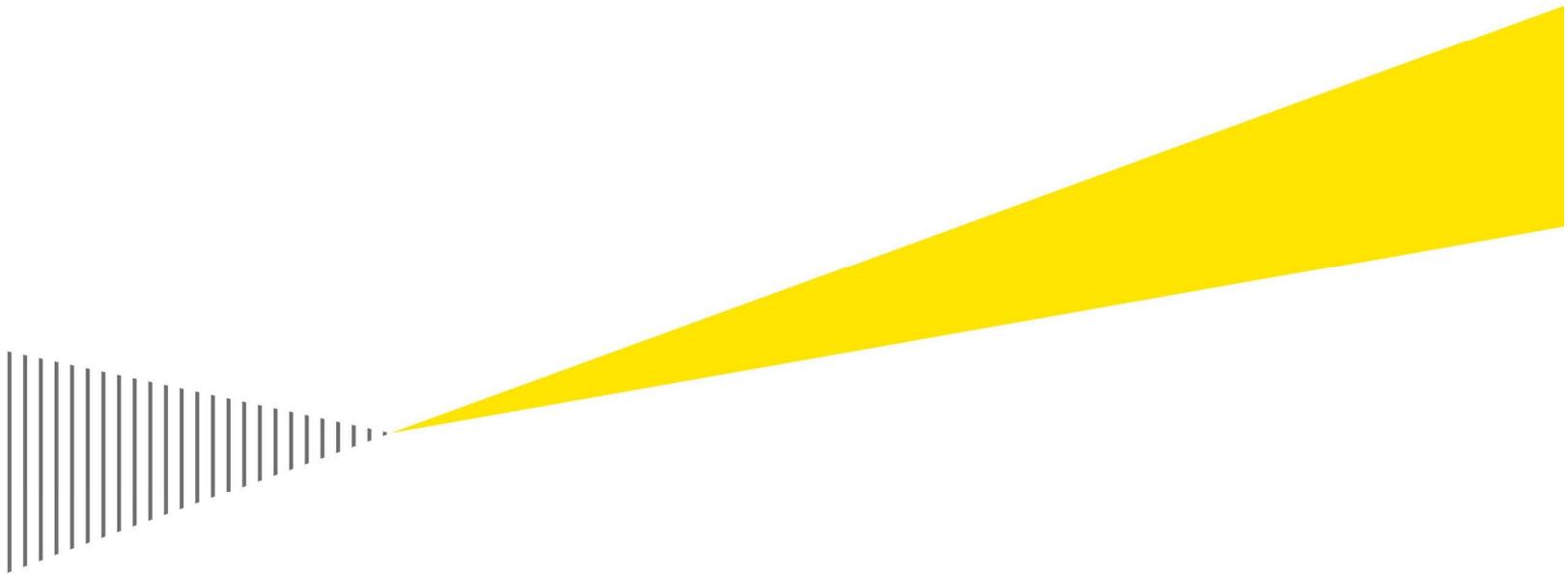


Management Letter

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

Year ended September 30, 2015





Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

March 3, 2016

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

In planning and performing our audit of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of and for the year ended September 30, 2015, 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 Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control, as described above, and other matters:

New OMB Uniform Guidance

Condition:

The Authority currently does not seek reimbursement for indirect cost and, accordingly, has not negotiated for an approved indirect cost rate. Under the New Uniform Grant Guidance issued by the Office of Management and Budget, grant recipients, such as the Authority, could be reimbursed at a de minimis indirect cost rate of 10%.

Recommendation:

We encourage the Authority to review provisions of the New Uniform Grant Guidance specific to indirect cost reimbursements, which can be found in 200.414 Indirect (F&A) costs of 2 CFR 200 Uniform Guidance.

Documented Procedures for the Processing of Federal Awards

Condition:

The Authority has not formalized its documentation describing the operating procedures on recordkeeping over federal awards.

Recommendation:

The Authority should complete its efforts to collate the required documents into a formal draft, which should be reviewed and approved by the appropriate personnel and made accessible to those that process federal awards. We encourage the Authority to prioritize completion of this project.

Proper Segregation of Duties

Condition:

During our review of the segregation of duties, we noted potential conflicting duties for the following processes:

- Cash receipts process - specifically those who (1) handle receipts of funds and prepares bank deposits and (2) those who maintain the cash receipts journal and the accounts receivable records.
- Purchases and cash disbursements - certain personnel have access to both the custody of checks and the records for purchases and accounts payable.
- Payroll – payroll personnel have access to the custody of checks, prepare payroll journals and handle the records over timekeeping.
- Inventory – certain personnel receive the inventory, and when applicable, prepare the receiving reports.

Recommendation:

While we noted there are adequate mitigating controls or other factors that will prevent the possibility of any misappropriation of assets, we suggest the Authority revisit the duties performed.

Proper Maintenance of Signed Agreements

Condition:

During our review of rent lease agreements, we noted one sample selected did not have a copy of a properly executed amendment. Upon inquiry with the Property Management Office personnel, they noted that the reason for this particular missing document, the tenant misplaced their copy as such it was not returned to the Authority.

Proper Maintenance of Signed Agreements

Recommendation:

For this particular sample, we noted no issues with the billing and collections. Further, we noted the amendment is up for renewal in 2016. While no issues have come up from this situation, we recommend that the Authority be diligent in properly executing contracts as a control to avoid any potential issues with its tenants.

Review of Projects for Close-outs

Condition:

During our testing of fixed assets additions and close-outs during the year, we noted certain projects that were closed-out in FY2015, that were actually completed in FY2014. While the total value of these projects was not material, the Authority did not properly reclassify these projects from work-in-progress to the capitalized asset. Additionally, the related depreciation was all recorded in FY2015, rather than in the proper period of FY2014.

Recommendation:

The Authority should be more diligent in tracking the progress of its construction projects and ensure there is proper communication between the different departments handling the projects. This would ensure that the Accounting Department can make the proper transfer and adjustment for depreciation on a timely basis.

This communication is intended solely for the information and use of management and the Board of Directors of the Authority, others within the organization, and the Guam Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties.

We have separately reported in our letter dated March 3, 2016 addressed to the Authority's Board of Directors certain information technology issues that we consider to be deficiencies.

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

Ernst + Young LLP