

January 12, 2007

Board of Directors
Port Authority of Guam:

Gentlemen:

In planning and performing our audit of the financial statements of Port Authority of Guam (the Authority) for the year ended September 30, 2006, on which we have issued our report dated January 12, 2007, we developed the following recommendations concerning matters related to its internal control. Our recommendations are summarized below:

Finding Number 1 – Fixed Assets

Criteria: Fixed assets should be periodically inventoried. Missing and out-of-service assets should be written off.

Condition: Of 31 fixed assets tested for physical existence, two assets with a total cost of \$1,744 and seven assets with a total cost of \$104,282 were determined to be missing and out of service, respectively. Most of the missing or out of service assets are fully depreciated.

Cause: A weakness in controls over the monitoring of fixed assets contributes to this condition.

Effect: Fixed assets may be immaterially overstated.

Recommendation: The fixed assets schedule should be periodically reviewed and spot checks should be performed throughout the year to ensure that assets no longer in service are properly disposed of.

Finding Number 2 – Revenue Recognition

Criteria: Revenues should be recorded as earned rather than when received.

Condition: It appears that revenue of approximately \$78,679 pertaining to fiscal year 2005 was incorrectly recorded in fiscal year 2006.

Cause: A lack of communication contributed to this condition.

Effect: Revenues are recorded in the wrong period.

Recommendation: Revenues should be recorded as earned, rather than as received.

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This report is intended solely for the information and use of the Board of Directors and management of the Port Authority of Guam and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the Authority during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

Deloitte & Touche LLP