

Compliance and Internal Control

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

Year ended September 30, 2010

Ernst & Young

Antonio B. Won Pat International Airport Authority, Guam

Reports on Compliance and Internal Control

Year ended September 30, 2010

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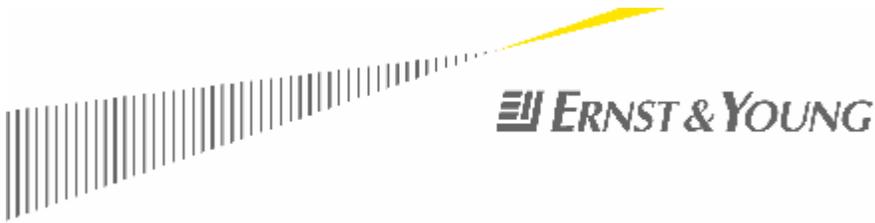
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Antonio B. Won Pat International Airport Authority, Guam

We have audited the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), as of and for the year ended September 30, 2010, and have issued our report thereon dated January 12, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

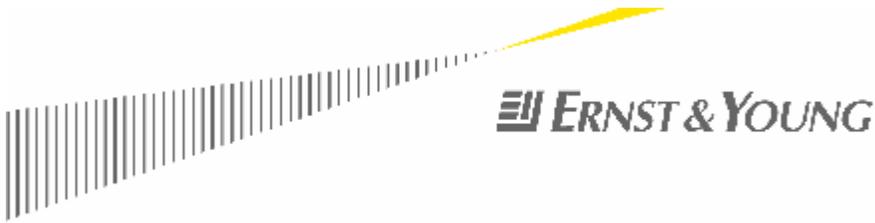
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated January 12, 2011.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, the Office of Public Accountability of Guam, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Ernst + Young LLP

January 12, 2011



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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Management and the Board of Directors
Antonio B. Won Pat International Airport Authority, Guam

Compliance

We have audited the compliance of the Antonio B. Won Pat International Airport Authority, 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, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. 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; 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 of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirement, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010 – 1 and 2010 – 2.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010 – 1 and 2010 – 2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended September 30, 2010, and have issued our report thereon dated January 12, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, others within the entity, the Office of Public Accountability of Guam, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Ernst + Young LLP

January 12, 2011

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards

Year ended September 30, 2010

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 10/01/09	Cash Receipts FY 2010	Allowable Expenditures FY 2010	Receivable from Grantor at 9/30/10	Total Receipts as of 09/30/10	Grant Balance
U.S. Department of Transportation									
Direct Programs:									
Airport Improvement Program:									
Improve Airport Utility Infrastructure (Water System) - Phase 5	20.106	3-66-0001-58	\$ 6,800,000	\$ 52,155	\$ 456,993	\$ 783,810	\$ 378,972	\$ 5,736,876	\$ 1,063,124
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 4	20.106	3-66-0001-59	2,000,000	411,740	411,740	-	-	2,000,000	-
Complete Construction of Parallel Taxiway (approx. 10,000' x 75')	20.106	3-66-0001-60	6,667,057	-	-	-	-	6,667,057	-
Extend Runway 6L/24R - Phase 4	20.106	3-66-0001-61	14,000,000	1,815,376	6,659,706	4,844,330	-	14,000,000	-
Misc. Airport Improvements - Phase 2 (Demolish Former Naval Housing Units)	20.106	3-66-0001-62	2,000,000	-	73,492	73,492	-	2,000,000	-
Improve Airport Utility Infrastructure (Electric System) - Phase 1	20.106	3-66-0001-65	7,000,000	-	80,829	125,921	45,092	80,829	6,919,171
Conduct Airport Master Plan Study	20.106	3-66-0001-66	700,000	-	47,025	79,538	32,513	47,025	652,975
Extend Runway 6L/24R - Phase 5	20.106	3-66-0001-67	744,647	-	611,695	611,695	-	744,647	-
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 5	20.106	3-66-0001-69	2,000,000	165,837	813,310	682,871	35,398	813,310	1,186,690
Extend Runway 6L/24R - Phase 5	20.106	3-66-0001-70	3,294,390	-	3,117,154	3,294,390	177,236	3,117,154	177,236
Complete Construction of Parallel Taxiway (approx. 10,000' x 75') - Phase 2	20.106	3-66-0001-71	3,005,610	68,588	148,968	531,221	450,841	3,005,610	-
Extend Runway 6L/24R - Phase 7	20.106	3-66-0001-72	4,000,000	-	1,512,094	2,817,194	1,305,100	1,512,094	2,487,906
Rehabilitate Runway 6L/24R - Phase 1 (Design Only)	20.106	3-66-0001-73	1,500,000	-	729	729	-	729	1,499,271
Install Instrument Landing System (ILS) Runway 6L - Phase 1	20.106	3-66-0001-74	2,172,362	-	194,739	194,739	-	194,739	1,977,623
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 6	20.106	3-66-0001-75	2,000,000	-	-	-	-	-	2,000,000
Improve Airport Utility Infrastructure (Sewer & Storm Water Drainage) - Phase 1	20.106	3-66-0001-76	1,550,000	-	-	-	-	-	1,550,000
Collect Airport Data for the Airports Geographic Information System (AGIS)	20.106	3-66-0001-77	675,000	-	-	-	-	-	675,000
Install Instrument Landing System (ILS) Runway 6L - Phase 2	20.106	3-66-0001-78	4,827,638	-	-	-	-	-	4,827,638
Conduct Environmental Assessment for Sewer and Stormwater Drainage	20.106	3-66-0001-79	700,000	-	-	-	-	-	700,000
Airport Improvement Program Total			65,636,704	2,513,696	14,128,474	14,039,930	2,425,152	39,920,070	25,716,634
American Recovery and Reinvestment Funds: ARRA - Rehabilitate Runway 6L/24R	20.106	3-66-0001-68	4,807,180	562,293	2,721,280	2,158,987	-	4,807,180	-
Total U.S. Department of Transportation Programs			70,443,884	3,075,989	16,849,754	16,198,917	2,425,152	44,727,250	25,716,634
Department of Interior									
Regional Aviation Safety and Operations Training Program	15.875	OMIP-GUAM-2009-1	300,000	52,039	93,160	64,138	23,017	229,880	70,120

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards, continued

Year ended September 30, 2010

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 10/01/09	Cash Receipts FY 2010	Allowable Expenditures FY 2010	Receivable from Grantor at 9/30/10	Total Receipts as of 09/30/10	Grant Balance
Economic Development Administration									
Site Preparation (Grade Elevations) of North Tiyan Properties	11.300	07-01-05790	1,250,000	143,045	521,507	488,828	110,366	521,507	728,493
Site Grading and Utility Infrastructure Hookups to Develop North Tiyan Aviation Industrial Park	11.300	07-01-06272	1,200,000	176,291	688,387	660,524	148,428	688,387	511,613
Public Works and Economic Development Facilities Program			2,450,000	319,336	1,209,894	1,149,352	258,794	1,209,894	1,240,106
Federal Emergency Management Agency:									
Pass-Through Government of Guam:									
Hazard Mitigation Grant Program:									
Utility Power Hardening for Critical Airport Facilities	97.039	HMGP DR-1446	5,850,000	(1)	-	-	(1)	4,134,855	1,715,145
U.S. Environmental Protection Agency:									
Brownfields Cleanup Cooperative Agreement	66.818	BF-96984801-0	600,000	160,800	317,890	194,721	37,631	405,017	194,983
Transportation Security Administration:									
National Explosive Detection Canine Team (NEDCT) Program	97.072	HSTS04-05-H-CAN103	1,323,000	39,868	306,070	300,500	34,298	1,288,703	34,297
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.090	HSTS02-08-H-SLR161	666,764	20,740	112,360	110,238	18,618	303,730	363,034
Transportation Security Administration			1,989,764	60,608	418,430	410,738	52,916	1,592,433	397,331
Other Transaction Agreement:									
Transportation Security Administration - International Transfer Facility	---	HSTS04-06-A-APO060	2,329,000	479,901	-	251	480,152	1,342,475	986,525
Total Awards from the United States Government			\$ 83,962,648	\$ 4,148,672	\$ 18,889,128	\$ 18,018,117	\$ 3,277,661	\$ 53,641,804	\$ 30,320,844

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2010

1. General

The Antonio B. Won Pat International Airport Authority, Guam (the Authority), was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam. Only the federal expenditures of the Authority are included within the scope of the audit. The Authority receives federal awards directly from federal agencies as well as federal awards that are passed through from other governmental agencies.

The federal award program titles and Catalog of Federal Domestic Assistance (CFDA) numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.

2. Summary of Significant Accounting Policies

Basis of Accounting

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

For the purpose of this report, certain accounting procedures were followed which facilitate the presentation of the federal cumulative amount of the grant award and federal funds received and disbursed. Cash receipts relate to all cash received from the cognizant federal agency within the CFDA. Cash receipts do not include matching funds from the Authority. All expenses and capital outlays which represent the federal share of each project are reported as expenditures.

The Authority recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

Qualifying funds expended in excess of federal funds received are recorded as receivables from the grantor agency.

Matching Requirements

In allocating project expenditures between the federal and local share, a percentage is used based upon local matching requirements unless funds are specifically identified for a certain phase of the project.

Indirect Cost Allocation

The Authority does not receive any indirect cost allocation and no indirect costs were recorded against any federal program for the year ended September 30, 2010. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

3. Department of Transportation (DOT)

The Authority's Airport Improvement Program (AIP) is funded primarily through grants from the U.S. DOT under CFDA number 20.106.

American Recovery and Reinvestment Act (ARRA)

The Authority was awarded an ARRA grant to fund AIP project number 3-66-0001-68, whose purpose is to rehabilitate runway 6L/24R.

Cost Allocation

Certain AIP grants have been combined to fund improvements for similar projects. The grants may fund a specific contract for the project or the cost of the contracts may be split between separate grants. A summary of the projects and funding grant numbers is as follows:

<u>Project Description</u>	<u>AIP Project No. (3-66-0001-xx)</u>
Noise Mitigation Measures for Residences w/in 65-69 DNL	59, 69 and 75
Extend Runway 6L/24R	61, 67, 70 and 72
Complete Construction of Parallel Taxiway (Approx. 10,000' x 7,000')	60 and 71

4. Department of Interior (DOI)

The DOI Operations and Maintenance Improvement Program (OMIP) funds a training program for airport and aviation operations and procedures for airports in the Pacific region. The grant is funded under CFDA 15.875, Economic, Social, and Political Development of Territories.

5. Economic Development Administration (EDA)

The Authority's EDA program is funded through grants from the Department of Commerce under CFDA number 11.300.

6. Federal Emergency Management Agency (FEMA)

The Authority is a sub-recipient of a Hazard Mitigation Grant Program administered by the Guam Homeland Security Office of Civil Defense and is funded through grants from the Department of Homeland Security under CFDA number 97.039.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

7. Environmental Protection Agency (U.S. EPA)

The U.S. EPA, through the Office of Solid Waste and Emergency Response, funded the Brownsfields Cleanup Cooperative Agreement to reimburse related operating expenses for the clean-up of approved sites. These grants are funded under CFDA number 66.818.

8. Transportation Security Administration (TSA)

The TSA grants were received to reimburse operating expenses related to the National Explosives Detection Canine Team Program (NEDCT) and the Law Enforcement Officer (LEO) Program, under CFDA number 97.072 and 97.090, respectively.

9. Other Transaction Agreement

TSA entered into an Other Transaction Agreement (OTA) with the Authority where TSA reimburses the Authority for certain administrative, design, management and construction costs relating to the relocation of the International Transfer Facility. As this is an OTA, no CFDA number is associated.

10. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and local laws and regulations.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Part I - Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report expressed an unqualified opinion.

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X **No**

Significant deficiencies identified that are not considered to be material weaknesses?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

 X **Yes** **None reported**

Type of auditor's report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report on compliance for major programs expressed an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

 X **Yes** **No**

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2010

Part I - Summary of Auditor's Results, continued

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
11.300	Public Works and Economic Development Facilities Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 540,000

Audited qualified as low risk auditee?

 Yes X **No**

Part II - Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

There are no material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse related to the September 30, 2010 financial statements.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2010

Part III - Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

Finding No. 2010 – 1

Federal Program Information:

CFDA No.: 20.106
Program Name: Airport Improvement Program (AIP)
Grantor Agency: U.S. Department of Transportation
Federal Award No.: 3-66-0001-71
Federal Award Name: Complete Construction of Parallel Taxiway – Phase 2
Federal Award Year: 2009 (AIP 71)
Area: Cash Management

Criteria:

The Circular A-133 Compliance Supplement states that “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, *recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.*”

Condition:

We noted the following drawdown was obtained prior to the Authority making payment to its vendor. More than 30 days lapsed from the date of receipt of the drawdown and the date payment was made to the vendor.

AIP #	Request Date	Payment Date	No. of Days from Request	Amount	Remarks
71	02/25/10	04/07/10	-41	\$80,380	We noted no requests were made subsequent to February and total amount received represented the balance remaining from the grant.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2010

Part III - Federal Award Findings and Questioned Costs Section, continued

Finding No. 2010 – 1, continued

Federal Program Information:

CFDA No.:	20.106
Program Name:	Airport Improvement Program (AIP)
Grantor Agency:	U.S. Department of Transportation
Federal Award No.:	3-66-0001-71
Federal Award Name:	Complete Construction of Parallel Taxiway – Phase 2
Federal Award Year:	2009 (AIP 71)
Area:	Cash Management

Questioned Costs:

No questioned costs were noted.

Context:

We tested 25 reimbursement requests for CFDA 20.106.

Effect:

The Authority appears to be noncompliant with cash management requirements of the OMB Circular A-133 Compliance Supplement.

Cause:

The Authority does not have specific procedures to determine the timing of reimbursement requests. Discussions with Authority personnel revealed that when cash flow issues occur, reimbursement requests will be made so funds can be drawn down for payments. Although the Authority has adequate controls over the review and approval of reimbursement requests, there is little guidance on the initiation of these requests.

Recommendation:

The Authority should enhance controls over the timeliness of reimbursement requests. These may include creating a monthly target date of when invoices pertaining to federal funds are processed so that reimbursement requests can be performed on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions:

The condition represents a single event or an isolated incident. The Authority erred in commingling an AIP-funded invoice with other capital project invoices that were awaiting funds for disbursement. To mitigate the risk of re-occurrence, the Authority will implement additional segregation procedures and action flags.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2010

Part III - Federal Award Findings and Questioned Costs Section, continued

Finding No. 2010 – 2

Federal Program Information:

CFDA No.: 20.106
Program Name: Airport Improvement Program (AIP)
Grantor Agency: U.S. Department of Transportation
Federal Award No.: 3-66-0001-69
Federal Award Name: Noise Mitigation Measures for Residence within 65-69 DNL
Federal Award Year: 2009 (AIP 69)
Area: Davis-Bacon Act

Criteria:

The Davis-Bacon Act requires that construction projects over \$2,000 include a provision for compliance with prevailing wage requirements. To ensure compliance, the Act states that a Contractor shall place a copy of the current prevailing wage determination in each solicitation, and award of the contract shall be conditioned upon acceptance of the wage determination. It further states that *“This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).”*

Condition:

During our testing over compliance of the Davis-Bacon Act, we noted the certified payroll attached to Vendor No. 4737 for payment request #9, payroll period of 10/12/09-10/16/09 was not properly prepared, noting no positions were listed for each individual in the certified payroll.

Questioned Costs:

No questioned costs were noted.

Context:

We tested 25 payment requests and the related certified payrolls.

Effect:

The Authority appears to be noncompliant with Davis-Bacon Act requirements to ensure that weekly certified payrolls are received and are properly completed.

Cause:

There appears to be weak controls over the review of the submitted certified payrolls.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2010

Part III - Federal Award Findings and Questioned Costs Section, continued

Finding No. 2010 – 2, continued

Federal Program Information:

CFDA No.:	20.106
Program Name:	Airport Improvement Program (AIP)
Grantor Agency:	U.S. Department of Transportation
Federal Award No.:	3-66-0001-69
Federal Award Name:	Noise Mitigation Measures for Residence within 65-69 DNL
Federal Award Year:	2009 (AIP 69)
Area:	Davis-Bacon Act

Recommendation:

The Authority should be more diligent and timely in reviewing the submitted certified payrolls to ensure compliance. When progress payment requests are received, it should be checked to ensure all required documentation is attached and adequately prepared.

Views of Responsible Officials and Planned Corrective Actions:

The certified payroll from a sub-contractor noted in the condition was an incomplete formatting issue which has been resolved with the inclusion of the position titles. The wage rates were then determined to be in compliance. The Authority had taken corrective actions to resolve the Davis-Bacon deficiencies identified in Fiscal Year 2009 which included proper formatting. The cited certified payroll pre-dated the corrective actions. The Authority remains diligent in working with contractors and construction managers to achieve full compliance.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Prior Audit Findings

Year ended September 30, 2010

Findings in the prior year Audit Report dated January 28, 2010 are as follows:

Federal Award Findings and Questioned Costs

Finding Number: 2009 – 2
CFDA No: 20.106-ARRA
Program Name: Airport Improvement Program
Grantor Agency: U.S. Department of Transportation
Federal Award No.: 3-66-0001-68
Federal Award Name: Rehabilitate Runway 6L/24R
Federal Award Year: 2009
Area: Reporting, Davis-Bacon Act

Finding:

The Authority did not have a proper process in place to accumulate data relating to the creation and retention of jobs based on the prescribed methodology of Section 1512 of the American Recovery and Reinvestment Act.

Status:

The Authority had corrected the methodology used in computing the number of jobs created and retained for subsequent ARRA reports filed. No similar instance was noted in the 2010 audit.

Finding Number: 2009 – 3
CFDA No: 20.106
Program Name: Airport Improvement Program
Grantor Agency: U.S. Department of Transportation
Federal Award No.: 3-66-0001-56 and – 59/-69, -58, -61, -62
Federal Award Name: Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 6L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units) – Phase II
Federal Award Year: 2007/2008/2009
Area: Davis-Bacon Act

Finding:

There were several positions from the certified payroll that were not specifically identified in the prevailing wage determinations, thus it appeared that the Authority did not obtain approval of wage rates used for positions not listed. There were also several instances in which the actual hourly wage rates paid were lower than the prevailing wage rate stated in the wage determinations.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Prior Audit Findings, continued

Year ended September 30, 2010

Federal Award Findings and Questioned Costs, continued

Finding Number: 2009 – 3, continued
CFDA No: 20.106
Program Name: Airport Improvement Program
Grantor Agency: U.S. Department of Transportation
Federal Award No.: 3-66-0001-56 and – 59/-69, -58, -61, -62
Federal Award Name: Noise Mitigation Measures for Residences within 65-69 DNL – Phase III/IV/V, Improve Airport Utility Infrastructure (Water System) – Phase V, Extend Runway 6L/24R – Phase IV, Miscellaneous Airport Improvements (Demolish Former Naval Housing Units) – Phase II
Federal Award Year: 2007/2008/2009
Area: Davis-Bacon Act

Status:

All positions have been addressed, noting positions with deficiencies in wages have been corrected and back wages were paid. However, issues still exist relating to differences in position titles used in the certified payrolls and positions available in the wage determinations. The Authority has submitted a request to the U.S. Department of Labor to clarify position titles not identified in the wage determinations.