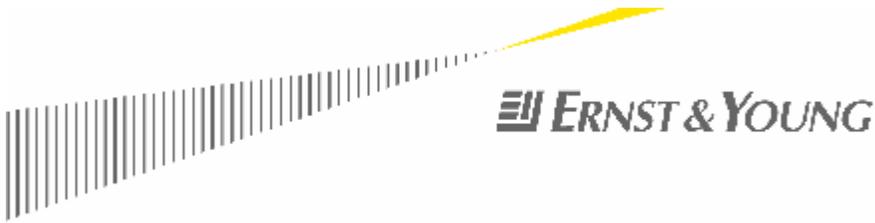


Management Letter

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

*For the year ended September 30, 2010*

Ernst & Young



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January 12, 2011

Management and 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 Authority, Guam (the Authority) as of and for the year ended September 30, 2010, 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:

### Cost of Evaluation Studies

#### Condition:

We understand the Authority incurs costs to perform evaluation studies required under its grant agreements. The Authority capitalizes these costs and amortizes them over a 15-year period. These studies, at times, are replaced by other studies and written off prior to the expiration of the 15-year amortization period. In addition, there is no specific identifiable project that they relate to.

#### Recommendation:

The Authority should revisit the appropriateness of the useful life assigned to the cost of these studies for amortization purposes.

## Lease Agreements

### Condition:

In accordance with the Authority's policy on property management, the Finance Division is informed regarding new lease agreements through the existing property module in the AS400 operating system. In addition, copies of new and duly-signed lease agreements are to be forwarded to the Finance Division on a timely basis. However, we noted that some new lease agreements were not forwarded to the Finance Division immediately after signing. As a result, revenues recognized from these leases were either delayed or based on estimates.

### Recommendation:

We recommend the Authority to revisit its coordination procedures between the Property Management and Finance divisions to prevent significant delays in the recognition and recording of lease transactions.

## Clarification on Davis-Bacon Act Rates

### Condition:

We noted certified payrolls included positions with "assistant" or "helper" in their titles. These positions are not listed in the Davis-Bacon Act wage determinations. As such, the Authority should have requested for the U.S. Department of Labor to provide rates for the positions not listed. Although the Authority provided a copy of the request made by the contractor to the U.S. Department of Labor, we noted the date of the request is subsequent to the fiscal year-end.

### Recommendation:

To ensure full compliance with the Davis-Bacon Act, we recommend that the Authority review the positions currently used by the contractors and make a timely request to clarify positions not listed in the wage determinations and follow-up on those requests.

## Customs Fees

Condition:

Under Public Law 23-45, the Authority assesses and collects from air carriers, fees for customs and agricultural inspection services rendered at the terminal. The air carriers are required to remit these fees to the Authority within 30 days from collection. 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 Services Fund.

We noted the following delays in collection of fees from air carriers:

<b>Air Carrier</b>	<b>Amount</b>	<b>Invoice Date</b>	<b>Date of Receipt</b>	<b>No. of Days</b>
CN6580	\$25,186	08/25/08	02/04/09	163
CN6580	25,186	09/16/08	02/04/09	141
CN6580	22,680	10/27/08	02/04/09	100
CN6404	12,364	10/14/09	11/27/09	44
CN6404	16,600	04/16/10	05/18/10	32
CN6001	251,245	04/16/10	05/19/10	33
CN6954	83	10/14/09	05/31/10	229
CN6954	108	12/17/09	05/31/10	165
CN6800	64	12/17/09	05/31/10	165
CN6800	70	01/15/10	05/31/10	136

The aforementioned air carriers missed the 30-day deadline to remit customs fees to the Authority.

We also noted the following delays in remittances of fees to TOG:

<b>Month</b>	<b>Air Carrier</b>	<b>Amount</b>	<b>Date of Receipt</b>	<b>Date of Remittance</b>	<b>No. of Days</b>
Oct-09	CN6580	\$25,186	02/04/09	10/15/09	253
	CN6580	25,186	02/04/09	10/15/09	253
	CN6580	22,680	02/04/09	10/15/09	253
Apr-10	CN6005	163,573	03/11/10	04/02/10	22
	CN6404	20,810	03/16/10	04/02/10	17
Jul-10	CN6005	115,211	06/29/10	07/16/10	17

The Authority missed the five-day deadline to remit customs fees. The combined Customs Fees and Landing and Parking payments made by the air carriers are deposited directly to the Authority's General Revenue Funds. The Customs Fees are then segregated and transferred to the Customs Facilities Charges account. In addition, we understand that the delays are generally a result of a long tedious reconciliation process with certain customers.

Customs Fees, continued

Recommendation:

The Authority should continue its efforts to reconcile customer accounts immediately to reduce or eliminate delays and remit collections from air carriers to the TOG within five (5) days of receipt, in accordance with the requirements of PL 23-45.

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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 Public Accountability of Guam, 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 January 12, 2011 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*