PORT AUTHORITY OF GUAM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

SEPTEMBER 30, 2003

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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, 2003, and have issued our report thereon dated August 22, 2004. 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 operation 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 03-01 through 03-06.

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 solely for the information and use 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

August 22, 2004

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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, 2003. The Authority's major federal programs are 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 item 03-07 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with the requirement regarding procurement and suspension and debarment that is applicable to its Federal Emergency Management Agency Public Assistance Grants (CFDA #83.544). Compliance with such requirement 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 programs for the year ended September 30, 2003.

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, 2003, and have issued our report thereon dated August 22, 2004. 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 solely for the information and use 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

August 22, 2004

PORT AUTHORITY OF GUAM

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

Grantor/CFDA Grantor's Program Title	Federal CFDA Number	FY 2003 Cash Receipts	Expenditures
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
Pass-Through Government of Guam Department of Administration:			
Public Assistance Grants	83.544	$ 940,437	$ 940,437
Total Federal Emergency Management Agency		940,437	940,437
DEPARTMENT OF COMMERCE:			
Grants for Public Works and Economic Development Facilities	11.300	360,000	360,000
Total Department of Commerce		360,000	360,000
Total Federal Awards		$ 1,300,437	$ 1,300,437

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

Part I - Summary of Auditors' Results Section

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 programs are:

Name of Federal Program or Cluster	CFDA Number
Federal Emergency Management Agency – Public Assistance Grants	83.544
Department of Commerce – Grants for Public Works and Economic Development Facilities	11.300

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

Reference Number	Finding	Questioned Costs
2003-01	Audit Adjustments	$ -
2003-02	Property, Plant and Equipment	$ -
2003-03	Overtime	$ -
2003-04	Procurement	$ -
2003-05	Reimbursement to Lessees	$ -
2003-06	Revenue	$ -

Part III - Federal Award Findings and Questioned Cost Section

Reference Number	Finding	Questioned Costs
2003-07	Procurement and Suspension and Debarment	$ -

Finding Number 03-01 – 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: At the commencement of the fiscal year 2003 audit (March 2004) and the 2002 audit (June 2003), 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 prior audit adjustments were not 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 in our prior years' audits.

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: All audit adjustments proposed by the external auditors were entered as of March 2004. The Port concurs that there were several entries that have been improperly posted to the Authority's records. We have made the exact entries that were provided to us by the external auditor. There were some entries that were erroneously entered to our books.

Management and senior accounting staff will immediately work on the audit adjustments as soon as the annual audit report has been issued. We will communicate with current auditors if the audit adjustments need supplementary details to accurately post the entries to our records.

Finding Number 03-02 – Property, Plant and Equipment

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

Condition: During 2003, the Authority did not maintain accurate PP&E listings. Depreciation was improperly computed for several assets resulting in an overstatement of depreciation expense by more than $2 million. Depreciation expense was corrected during the audit.

Cause: The cause of this condition appears to be the inability of the PP&E accounting module to properly compute depreciation when initial asset costs or estimated useful lives are changed.

Effect: Depreciation expense and accumulated depreciation are misstated.

Prior Year Status: This condition was also noted in our prior years' audits.

Recommendation: The Authority should promptly update PP&E listings for any changes to an item's status, such as usefulness, useful life, location or auditors' adjustments. Depreciation expense for major assets whose cost or estimated useful lives have been adjusted should be checked to ensure the system is properly computing depreciation for these assets.

Auditee Response: The Port concurs that there may be misapplication on the auditors adjusting entries, which resulted in a variance with the audit balance.

In the beginning of the audit, we have submitted a PP&E listing to the auditors that matches with the general ledger balance based on the financial statements that we have presented for FY 03. All asset and accumulated depreciation account balances were the same in both the listing and ledger balance. Depreciation accounts on the PP&E listing that did not match with the general ledger was resolved by running another report on the JD Edwards system. We have explained that any items that were surveyed during the year will be taken out from the PP&E listing that we originally submitted, so if the item incurred any depreciation during the year, it will not be part of the total depreciation expense on the PP&E listing.

We have subsequently realized that there were still variances to the auditor's computation on depreciation of several assets compared to the JD Edwards system computation. This will be corrected in the FY 2004 PP&E listing and any variance in the yearly depreciation between the auditor's computation and the Port's financial system will be adjusted accordingly. We will work closely with the auditors as soon as the annual report has been completed to avoid this same finding.

Finding Number 03-03 – Overtime

Criteria: Overtime is a tool necessary for the Authority to adequately address emergencies, reporting deadlines, shortages in staff and similar problems. All overtime should be pre-approved by department heads, and overtime claimed by employees should be reviewed by the employees' supervisor for reasonableness and correctness. It should be management's policy to minimize overtime.

Condition:

During the examination of overtime, we noted the following:

1) 46 instances where an employee was paid overtime in excess of 16 hours on a weekday, as 8 regular hours plus 16 overtime hours equals 24 total hours in the day.
2) 1,627 instances where overtime of between 10 to 16 hours was paid to employees on weekdays. It would appear unreasonable when considering the employee worked an additional 8 regular hours (totaling 18 or more hours) and would need time to drive to and from work and time to sleep. Several times, employees claimed overtime in excess of 10 hours two days in a row.
3) 44 instances where overtime of 24 hours or more was paid to employees on a single day. While all of these relate to manual time entry and a default date corresponding to pay period end date, management should minimize use of manual overrides of system controls.
4) An arbitrary amount of 30% was chosen as the threshold when considering excessiveness of total overtime paid and hours worked during the year compared to annual salary and hours. We noted 32 employees who earned overtime in excess of this threshold.

Cause: There appears to be a lack of controls over overtime.

Effect: The Authority may have incurred excessive payroll expense as a result of this condition.

Recommendation: Management should pre-approve all overtime. Overtime claimed by employees should be reviewed by the supervisor for reasonableness and correctness. Options to overtime should be explored, such as outsourcing the necessary manpower in times of emergency, report deadlines or staff shortages.

Auditee Response: The Port concurs that management should pre-approve all overtime charges.

Typhoon preparation and recovery, fire at the Mobil tank farm, congestion of containers in the terminal yard due to the shortage of chassis, breakdown of equipment and homeland security requirements were all factors that resulted in increases of overtime payments to operations, maintenance and security employees.

During the onset of typhoon Pongsona, there were employees inside the Port area to man the vicinity until Condition 4 was declared. During the storm, four oil tanks caught fire requiring certain employees to work for 24 hours.

Employees had to work 16 hours in support of vessel operation, installation of broken power lines, damaged reefer outlets and assisting in traffic control during the typhoon recovery period.

Management has required full compliance from division heads to various fiscal policies in controlling overtime charges.

Finding Number 03-04 – Procurement

Criteria: The Authority should adhere to the procedures governing the procurement process, as set forth by Guam Public Law.

Condition: During our examination of procurement documentation, we noted the following:

1. For Purchase Order (PO) #3923 in the amount of $675, the items were delivered by the vendor after the PO's expiration.
2. For PO #3235 in the amount of $10,000, the PO was amended after services had been rendered and was approved without proper delegated procurement authority.

Cause: The cause of this condition appears to be a lack of strict compliance with Government of Guam procurement regulations.

Effect: While there is no direct financial statements, it may raise questions as to the propriety of the award in light of the original request for quotation.

Recommendation: The Authority should establish, implement and monitor a policy over the issuance (and amendments, if necessary) of Request for Quotations.

Auditee Response: The Port concurs to this finding.

Items for Purchase Order No. 3922 OS in the amount of $675 were delivered by the vendor after the Purchase Order expiration.

The Port week and employees of the year awards are usually held between the first and third week of October. The winners of the awards are usually named in September and orders for the awards are placed as soon as they are declared winners. In 2003, the orders came after purchase orders were closed in the system.

Procurement will ensure that all purchase orders issued on the last months of the fiscal year meet the deadlines before the fiscal year ends. They will properly monitor the processing of purchase orders, deliveries and receiving to ensure the timelines for the year end closing are met.

In regards to Purchase Order No. 3235 in the amount of $10,000, the purchase order was amended after services had been rendered and were approved without proper delegated procurement authority.

The purchase order needed to be amended to cover the cost of additional diving services for post Typhoon Pongsona assessment of wharves, piers, and marinas. This was an oversight to amend all purchase orders even without the delegation. If the Port does not have its delegation, all amendments will be forwarded to the Chief Procurement Officer, GSA.

Finding Number 03-05 – Reimbursements to Lessees

Criteria: Reimbursements made to lessees for third party contracted services rendered to them and to the Authority should be adequately documented and in keeping with the requirements of Guam Procurement Law.

Condition: Following Typhoon Pongsona, the Authority reimbursed one lessee for a contract with a third party to assist in recovery efforts. No evidence of competitive procurement was made available for these services.

Cause: Due to the emergency nature of the situation, the lessee contracted with third party without consideration of Guam procurement regulations.

Effect: While there is no material effect on the financial statements, it may raise questions on the fairness of the procurement process and brings to light a means to circumvent that process.

Recommendation: Lessees should be informed that costs to be reimbursed by the Authority should be purchased in accordance with Guam procurement regulations.

Auditee Response: After typhoon Pongsona, the lights in the terminal yard were inoperable. To support the vessel operation, management approved the rental of light plants by the vessel agents. Guam was still facing an island-wide power outage and Port employees needed to work on cargo vessels around the clock, due to the typhoon and Mobil fire.

This office acknowledges receipt of an audit finding of questionable action regarding a Port Lessee. Primary item of concern is the current procedure to reimburse a tenant for service obtained, or improvement(s) made to Port owned facility.

In an effort to properly address this item, the following generalized operating procedure has been implemented by the Commercial division and is aimed to categorize varying function, and results in desired or appropriate payout. In most cases, either tie constraints or the immediate availability of funds are usually attributes for favorable consideration.

Reimbursement of service obtained: Depending on the nature of service obtained and circumstance surrounding the operational requirement, tenant would submit a formal letter of request to the PAG General Manager detailing the immediate need for such service. Consideration is made based on information provided by the tenant and, if required, the Port requests additional information. If such action is warranted or deemed necessary, the tenant would then be required to solicit three (3) quotations from prospective service providers and submit the same to the General Manager for further consideration. The Authority would then identify, based on the lowest quote, which provider with whom the tenant may obtain service. Upon receipt of service, tenant would be required to submit back to the Authority an invoice along with verification of payment. This would ensure that the service was actually received and paid, as well as determine amount of reimbursement.

Finding Number 03-05 – Reimbursements to Lessees, Continued

Auditee Response, Continued:

Reimbursement of improvement to Port owned facility: Pursuant to covenant of the format lease agreement, all tenants are required to obtain the permission of the Port prior to making any improvement to their respective leased space. A letter of intent is submitted to the General Manager for consideration. The request must be specific, and in most cases, would include a scope of work for CIP division review. This would ensure compliance with outside regulatory agency building requirements as well as Port mandates. The tenant would then be required to solicit three (3) quotations from prospective contractors and submit the same to the General Manager for further consideration. The Authority would then identify, based on the lowest quote, which contractor the tenant may obtain service(s). By way of this notification, the tenant is given the formal "Notice to Proceed".

Upon completion of work, tenant would be required to submit back to the Authority an invoice along with verification of payment. CIP would then verify integrity of work. Depending on CIP recommendation, appropriate action is made to either readdress work to meet Port standard or initiate process to submit clearance to General Manager to adjust account.

This form of payout is performed under the premise that any such off set arrangement would result in the Authority taking possession of improvement upon termination of tenancy, and usually involves major repair or improvement to substandard leased area.

It is important to note that each case is unique in each of the scenarios stated above, and varying factor is used to consider the required appropriate action.

Finding Number 03-06 – Revenue

Criteria: In order to properly recognize revenues, effort should be made to ensure that accurate recording and application of tariff schedules is in place. Billings should accurately reflect charges for services rendered and amounts customers are invoiced should be reconciled to those amounts posted in the general ledger. Moreover, supporting documents should be appropriately safeguarded.

Condition: Of twenty-four customer invoices tested, the following exceptions were noted:

- One invoice was overstated in the general ledger by $26.
- Supporting schedules for two invoices did not agree to amounts as noted on invoices.
- Six invoices resulted in a net overstatement of $254 in charges to customers.
- The Vessel Outbound Manifest supporting Invoice No. 63681 was not provided for examination.

Cause: The causes of the above conditions are as follows:

- An untimely review and reconciliation of invoices posted to the general ledger.
- Programming error.
- Lack of manpower to review data input of applicable tariff and the element of human error as a result of the labor intensive data input and manual processing of tariff charges into the billing system.
- Lack of internal control of safekeeping of accounting documents.

Effect: The lack of proper review within the billing process may lead to an immaterial under or overstatement of customer invoices and revenues. Moreover, the lack of supporting documents may result in questions on the propriety of the underlying account balances.

Recommendation: The Authority should establish, implement and monitor a policy over periodic reviews of customer invoices and the accuracy of the postings to the general ledger to ensure the accuracy of reported revenues and completeness of customer invoices. Management should ensure data entry is adequately scrutinized by individual(s) other than the person making the data entry and such reviews are properly documented. Furthermore, management should consider the integration of the billing system process with the vessel operation process to reduce manual input and allow billing personnel more time to check the propriety of billings. Lastly, the Authority should ensure proper safekeeping of supporting documents.

Auditee Response: The Port agrees that there were certain billings that were inaccurately posted to the general ledger because of programming errors.

When we audited our accounts receivable subsidiary ledger, we found a few invoices that had an immaterial difference on the system compared to the hard copy. Our research showed a difference between the agency discount in the invoice uploaded to the JDE system compared to the hardcopy from the AS400. We immediately informed out IT department of our findings. After IT researched the problem they found that it was caused by a change they made for the transshipment rate. IT said that whenever they make a change in the AS400 program the change also has to be made in the JDE system.

Once we realized that errors could occur due to the system not interfacing, we began to verify the amount of the invoice balances with the system. In JDE, we inquire on the invoice and ensure that the amount is the same as the hard copy. This is done after every upload.

Finding Number 03-06 – Revenue, Continued

Auditee Response, Continued:

As for the overstatement of the invoice billing, IT was requested to place a block on making changes to vessels in the AS400 system after it is invoiced. This was requested because the two systems are not interfaced. We found that accounting technicians were able to invoice and then still have the access to go back and make changes. They are not aware that the first invoice was already uploaded into JDE. This caused the information in the AS400 and JDE system not to match. If changes need to be done the invoice has to be voided so that the information can be changed and then reinvoiced to ensure that the changes are reflected and both systems are balanced. In addition, we requested that only supervisors have the capability to void invoices.

In order to properly recognize revenues, accounting required that the report summaries are reviewed before the invoice is finalized to ensure all applicable charges are applied. Also, invoices are initialed by the supervisor to ensure they were reviewed and supporting reports match the invoice amount.

In response to the safeguarding of documents, we have assigned one of our personnel to be responsible for filing and pulling documents. This limits the access of billing files and protects them from being misplaced and also ensures that when documents are borrowed they are returned complete.

Finding Number:	03-07
CFDA No.:	83.544
Program Name:	Public Assistance Grants
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$0

Criteria: In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of purchase type, vendor selection or rejection, and the basis for the purchase price.

Condition: Of $940,437 in program expenditures, 77 expenditures, totaling $920,486, were tested. We noted one exception for Purchase Order (PO) #3418 in the amount of $36,120, where there was no evidence on file of competitive procurement, nor was designation as a sole source provider documented.

Cause: The cause of this condition appears to be a lack of internal controls over ensuring compliance with applicable procurement requirements.

Effect: The Authority is in noncompliance with applicable procurement requirements. There is no questioned cost because the Authority has not requested federal reimbursement for this item yet.

Recommendation: The Authority should strengthen internal controls to ensure that the significant history of each procurement transaction is maintained in accordance with applicable procurement requirements. The Authority should provide the procurement documents to effect resolution of this finding.

Auditee Response: From the start of the process, Procurement had contacted four vendors inquiring as to the availability of the man lift. By contacting four vendors the competitive procurement process was being followed. The contract was awarded based on availability of the equipment. Out of the four vendors the Port contacted, two had the man lift needed in order to make post-typhoon Pongsona repairs to cargo terminal yard lighting system, but they were not available at the time of inquiry. The purchase order initially was issued for one month rental for the amount of $7,200. The Port ended up using the equipment for another 60 days to complete the yard lighting project. All the amendments were issued to cover the additional costs for 60 days. Procurement will closely monitor the processing of purchase orders and ensure that amendments are processed properly and in a timely manner in accordance with standard operating procedures.

PORT AUTHORITY OF GUAM

Prior Years' Findings and Questioned Costs
September 30, 2003

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

Questioned Costs per the September 30, 1998 audit report	$ 39,322
Total Unresolved Questioned Costs – September 30, 2003	$ 39,322