

*Report on Compliance and Internal Control and Schedule of
Passenger Facility Charges Collected and Expended*

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

(A Component Unit of the Government of Guam)

Year ended September 30, 2018



**Building a better
working world**

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Report on Compliance and Internal Control and
Schedule of Passenger Facility Charges Collected and Expended

Year ended September 30, 2018

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Report of Independent Auditors on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance and Report on Schedule of Passenger Facility Charges Collected and Expended Required by the Federal Aviation Administration

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the Antonio B. Won Pat International Airport Authority, Guam's (the Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on the Authority's passenger facility charge program for the year ended September 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of projects applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above. 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 the Guide. Those standards and the Guide 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 the passenger facility charge 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 on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Authority's passenger facility charge program for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Guide, and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on the passenger facility charge program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying management's response and corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 over compliance 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 the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* 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 the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges Collected and Expended

We have audited the financial statements of the Authority as of and for the year ended September 30, 2018, and have issued our report thereon dated March 26, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the audited procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of passenger facility charges collected and expended is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

March 26, 2019

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule of Passenger Facility Charges Collected and Expended

Each Quarter and for the Year Ended September 30, 2018

<u>Quarter Ended</u>	<u>Receipts</u>	Project Expenditures <u>Debt Service</u>	Interest and <u>Investment Income</u>
December 31, 2017	\$1,697,200	\$ 3,038,563	\$24
March 31, 2018	1,638,697	3,038,563	19
June 30, 2018	1,699,798	3,038,563	18
September 30, 2018	<u>1,672,801</u>	<u>3,038,563</u>	<u>14</u>
Total	<u>\$6,708,496</u>	<u>\$12,154,252</u>	<u>\$75</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
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Note to Schedule of Passenger Facility Charges Collected and Expended

Year Ended September 30, 2018

1. Significant Accounting Policy

The schedule of passenger facility charges collected and expended is prepared using the cash basis of accounting. Receipts and income are recorded when cash is received and expenditures are recorded when cash is disbursed.

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Passenger Facility Charge Program Schedule of Findings and Questioned Costs

Year Ended September 30, 2018

Finding No.: 2018-001
Area: Remittance of PFCs

Criteria:

In accordance with 14 Code of Federal Regulations (CFR) Part 158.51, *PFCs collected by carriers shall be remitted to the public agency on a monthly basis.* PFC revenue recorded in the accounting system of the carrier, shall be remitted to the public agency no later than the last day of the following calendar month (or if that date falls on a weekend or holiday, the first business day thereafter).

Condition:

During the year ended September 30, 2018, three carriers remitted collections to the Authority later than the last day of the following calendar month in which the collection was received.

Context:

We randomly selected monthly remittances made by airlines and tested the timelines of the payments.

Effect:

The Authority received late monthly remittances from an air carrier and, accordingly, the Authority is not in compliance with Section 158.51 of 14 CFR Part 158.

Cause:

Despite the Authority's efforts to communicate the due dates of monthly PFC revenue remittances with the air carriers, certain air carriers continue to make late payments.

Recommendation:

The Authority should continue to send a written notice to air carriers reminding them of their requirement to submit PFC remittances by the due date.

Views of Responsible Officials and Corrective Actions:

Management agrees. Please refer to the separate corrective action plan.

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Passenger Facility Charge Program Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2018

Finding No.: 2018-002
Area: Air Carrier Quarterly Reports

Criteria:

In accordance with 14 CFR Part 158.65, each carrier collecting PFC revenues for a public agency shall file quarterly reports to the public agency stating the total PFC collected, the total amount of PFC revenue refunded to passengers, and the amount of collection withheld by the collecting carrier for reimbursement of expenses. *The report shall be filed on or before the last day of the calendar month following the calendar quarter or other period agreed by the collecting carrier and public agency for which funds were collected.*

Condition:

During the year ended September 30, 2018, six air carriers submitted their quarterly reports after the required submission date. The number of days late ranged from 6 days to 184 days.

Effect:

The Authority received late quarterly reports and, accordingly, the Authority is not in compliance with Section 158.65 of 14 CFR Part 158.

Cause:

Despite the Authority's efforts to communicate the due dates of quarterly PFC reports, certain air carriers continue to make late submissions.

Recommendation:

We recommend that the Authority continue to emphasize the PFC quarterly reporting requirements with their air carriers.

Views of Responsible Officials and Corrective Actions:

Management agrees. Please refer to the separate corrective action plan.