



*Compliance and Internal Control*

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

*Year ended September 30, 2011*

Ernst & Young LLP

Antonio B. Won Pat International Airport Authority, Guam

Reports on Compliance and Internal Control

Year ended September 30, 2011

**Contents**

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* ..... 1

Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on Each Major Program and on Internal Control Over  
Compliance In Accordance With OMB Circular A-133 ..... 3

Schedule of Expenditures of Federal Awards ..... 6

Notes to the Schedule of Expenditures of Federal Awards ..... 8

Schedule of Findings and Questioned Costs ..... 11

Schedule of Prior Audit Findings ..... 18



Ernst & Young LLP  
231 Ypao Road  
Suite 201, Ernst & Young Building  
Tamuning, Guam 96913  
Tel: +1-671-649-3700  
Fax: +1-671-649-3920  
[www.ey.com](http://www.ey.com)

## 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, 2011, and have issued our report thereon dated January 25, 2012. 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***

Management of the Authority is responsible for establishing and maintaining effective 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 over financial reporting 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 25, 2012.

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 25, 2012



Ernst & Young LLP  
231 Ypao Road  
Suite 201, Ernst & Young Building  
Tamuning, Guam 96913

Tel: +1-671-649-3700  
Fax: +1-671-649-3920  
[www.ey.com](http://www.ey.com)

## Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

### Independent Auditor's Report

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 could have a direct and material effect each of the Authority's major federal programs for the year ended September 30, 2011. 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 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 of the Authority's compliance with those requirements.

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 each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 2011 – 1 and 2011 – 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 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 a federal 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 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 2011 – 1 and 2011 – 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 in internal control over compliance, 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, 2011, and have issued our report thereon dated January 25, 2012, which contained an unqualified opinion on those financial statements. 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 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 other 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 of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements 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 25, 2012

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

<b>Federal Program/ Project Title</b>	<b>CFDA No.</b>	<b>Project No.</b>	<b>Program or Award Amount</b>	<b>Receivable from Grantor at 10/01/10</b>	<b>Cash Receipts FY 2011</b>	<b>Allowable Expenditures FY 2011</b>	<b>Receivable from Grantor at 9/30/11</b>	<b>Total Receipts as of 09/30/11</b>	<b>Grant Balance</b>
<b>U.S. Department of Transportation</b>									
Direct Programs:									
Airport Improvement Program:									
Improve Airport Utility Infrastructure (Water System) - Phase 5	20.106	3-66-0001-58	\$ 6,800,000	\$ 378,972	\$ 1,063,124	\$ 684,152	\$ -	\$ 6,800,000	\$ -
Extend Runway 6L/24R - Phase 4	20.106	3-66-0001-61	16,100,000	-	2,100,000	2,100,000	-	16,100,000	-
Misc. Airport Improvements - Phase 2 (Demolish Former Naval Housing Units)	20.106	3-66-0001-62	2,300,000	-	300,000	300,000	-	2,300,000	-
Improve Airport Utility Infrastructure (Electric System) - Phase 1	20.106	3-66-0001-65	7,000,000	45,092	51,533	35,575	29,134	132,362	6,867,638
Conduct Airport Master Plan Study	20.106	3-66-0001-66	700,000	32,513	296,282	263,769	-	343,307	356,693
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 5	20.106	3-66-0001-69	2,000,000	35,398	35,398	29,333	29,333	848,708	1,151,292
Extend Runway 6L/24R - Phase 5	20.106	3-66-0001-70	3,788,548	177,236	671,394	494,158	-	3,788,548	-
Complete Construction of Parallel Taxiway (approx. 10,000' x 75') - Phase 2	20.106	3-66-0001-71	3,456,451	450,841	450,841	-	-	3,456,451	-
Extend Runway 6L/24R - Phase 7	20.106	3-66-0001-72	4,600,000	1,305,100	3,087,906	1,782,806	-	4,600,000	-
Rehabilitate Runway 6L/24R - Phase 1 (Design Only)	20.106	3-66-0001-73	1,500,000	-	1,094,823	1,094,823	-	1,095,552	404,448
Install Instrument Landing System (ILS) Runway 6L - Phase 1	20.106	3-66-0001-74	2,172,362	-	756	38,859	38,103	195,495	1,976,867
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 6	20.106	3-66-0001-75	2,000,000	-	33,381	33,381	-	33,381	1,966,619
Improve Airport Utility Infrastructure (Sewer & Storm Water Drainage) - Phase 3	20.106	3-66-0001-76	1,550,000	-	490	1,089	599	490	1,549,510
Collect Airport Data for the Airports Geographic Information System (AGIS)	20.106	3-66-0001-77	675,000	-	5,383	17,254	11,871	5,383	669,617
Install Instrument Landing System (ILS) Runway 6L - Phase 2	20.106	3-66-0001-78	4,827,638	-	6,515	45,733	39,218	6,515	4,821,123
Conduct Environmental Assessment for Sewer and Stormwater Drainage	20.106	3-66-0001-79	700,000	-	6,335	97,826	91,491	6,335	693,665
Extend Runway 6L/24R - Phase 9	20.106	3-66-0001-80	1,975,678	-	1,975,678	1,975,678	-	1,975,678	-
Misc. Airport Improvements - Phase 3 (Demolish Former Naval Housing Units)	20.106	3-66-0001-81	2,304,801	-	-	96	96	-	2,304,801
Misc. Airport Improvements - Phase 4 (Demolish Former Naval Housing Units)	20.106	3-66-0001-82	1,400,000	-	-	-	-	-	1,400,000
<b>Total U.S. Department of Transportation Programs, carried forward</b>			<b>65,850,478</b>	<b>2,425,152</b>	<b>11,179,839</b>	<b>8,994,532</b>	<b>239,845</b>	<b>41,688,205</b>	<b>24,162,273</b>

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards, continued

Year ended September 30, 2011

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 10/01/10	Cash Receipts FY 2011	Allowable Expenditures FY 2011	Receivable from Grantor at 9/30/11	Total Receipts as of 09/30/11	Grant Balance
Total U.S. Department of Transportation Programs, brought forward			<u>65,850,478</u>	<u>2,425,152</u>	<u>11,179,839</u>	<u>8,994,532</u>	<u>239,845</u>	<u>41,688,205</u>	<u>24,162,273</u>
<b>Department of Interior</b>									
Regional Aviation Safety and Operations Training Program	15.875	OMIP-GUAM-2009-1	<u>300,000</u>	<u>23,017</u>	<u>62,772</u>	<u>39,755</u>	<u>-</u>	<u>292,652</u>	<u>7,348</u>
<b>Economic Development Administration</b>									
Site Preparation (Grade Elevations) of North Tiyan Properties	11.300	07-01-05790	<u>1,250,000</u>	<u>110,366</u>	<u>113,998</u>	<u>3,632</u>	<u>-</u>	<u>635,505</u>	<u>614,495</u>
Site Grading and Utility Infrastructure Hookups to Develop North Tiyan Aviation Industrial Park	11.300	07-01-06272	<u>1,200,000</u>	<u>148,428</u>	<u>154,751</u>	<u>6,323</u>	<u>-</u>	<u>843,138</u>	<u>356,862</u>
Public Works and Economic Development Facilities Program			<u>2,450,000</u>	<u>258,794</u>	<u>268,749</u>	<u>9,955</u>	<u>-</u>	<u>1,478,643</u>	<u>971,357</u>
<b>Federal Emergency Management Agency:</b>									
Pass-Through Government of Guam: Hazard Mitigation Grant Program: Utility Power Hardening for Critical Airport Facilities	97.039	HMGP DR-1446	<u>5,850,000</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>4,134,855</u>	<u>1,715,145</u>
<b>U.S. Environmental Protection Agency:</b>									
Brownfields Cleanup Cooperative Agreement	66.818	BF-96984801-0	<u>600,000</u>	<u>37,631</u>	<u>97,650</u>	<u>60,019</u>	<u>-</u>	<u>502,667</u>	<u>97,333</u>
<b>Transportation Security Administration:</b>									
National Explosive Detection Canine Team (NEDCT) Program	97.072	HSTS04-05-H-CAN103	<u>1,323,000</u>	<u>34,298</u>	<u>34,298</u>	<u>-</u>	<u>-</u>	<u>1,323,000</u>	<u>-</u>
National Explosive Detection Canine Team (NEDCT) Program	97.072	HSTS02-10-H-CAN629	<u>1,252,500</u>	<u>-</u>	<u>94,869</u>	<u>250,500</u>	<u>155,631</u>	<u>94,869</u>	<u>1,157,631</u>
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.090	HSTS02-08-H-SLR161	<u>666,764</u>	<u>18,618</u>	<u>113,658</u>	<u>153,600</u>	<u>58,560</u>	<u>417,388</u>	<u>249,376</u>
Transportation Security Administration			<u>3,242,264</u>	<u>52,916</u>	<u>242,825</u>	<u>404,100</u>	<u>214,191</u>	<u>1,835,257</u>	<u>1,407,007</u>
<b>Other Transaction Agreement:</b>									
Transportation Security Administration - International Transfer Facility	---	HSTS04-06-A-APO060	<u>2,329,000</u>	<u>480,152</u>	<u>480,152</u>	<u>-</u>	<u>-</u>	<u>1,822,626</u>	<u>506,374</u>
<b>Total Awards from the United States Government</b>			<u>\$ 80,621,742</u>	<u>\$ 3,277,661</u>	<u>\$ 12,331,987</u>	<u>\$ 9,508,361</u>	<u>\$ 454,035</u>	<u>\$ 51,754,905</u>	<u>\$ 28,866,837</u>

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2011

**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 2011 *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, 2011. 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, through the Federal Aviation Administration (FAA) under CFDA number 20.106.

*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.

<u>Project Description</u>	<u>AIP Project No. (3-66-0001-xx)</u>
Noise Mitigation Measures for Residences w/in 65-69 DNL	69 and 75
Extend Runway 6L/24R	61, 70, 72 and 80
Demolish Former Navy Housing Units in Tiyan	62, 81 and 82
Install ILS from Runway 6L	74 and 78

**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.

**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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

**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 (OTA)**

TSA entered into an 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, 2011

**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 deficiency(ies) 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?

  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, 2011

**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
<hr/>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Audited qualified as low risk auditee?	<u>      </u> Yes <u>  X  </u> 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, 2011 financial statements.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2011

**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. 2011 – 1**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program (AIP)  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-37/40/43/50/58  
**Federal Award Name:** Improve Airport Utility Infrastructure (Water System) – Phases 1-4  
**Federal Award Year:** 2002 (AIP 37), 2003 (AIP40), 2004 (AIP 43), 2005 (AIP 50), 2007 (AIP 58)  
**Area:** Activities Allowed or Unallowed

**Criteria:**

The Authority obtained several Military Airport Program grants to fund the construction of a water system infrastructure. The initial grant was awarded in 2002, with expenditures first made in 2005. The project is now in the completion stage and is expected to become operational in January 2012. The FAA has raised concerns over construction work that may be deemed ineligible with the grant agreement and with the guidance stated in the AIP Handbook, specifically with Paragraph 609, which states that “The installation of water, gas, and electric utilities and wastewater treatment facilities *will be eligible to the extent they are needed to serve eligible airport development projects.*” Additionally, we noted that Paragraph 606(b)(3) states that “*Projects on the non-aeronautical, revenue-producing portions of an airport are ineligible under this provision.*” Paragraph 515 further states that “The installation, improvement, reconstruction, or repair of water, gas, electric utilities, drainage and wastewater treatment facilities *will be eligible to the extent they are needed to serve areas eligible for AIP assistance.*”

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2011

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

**Finding No. 2011 – 1, continued**

**Condition:**

The Authority's water system has three two-way metering interconnections that would allow transfer of water between the Authority and Guam Waterworks Authority (GWA). There is also one one-way metering connection for water to be provided from the Authority's water system to an area commonly referred to as the "donut-hole area," which is not part of the airport property. This one-way metering connection is for future construction of:

- new water lines to eliminate the 16-inch water line passing under the airport runway, and
- connection for the donut-hole area to the GWA system using non-AIP funds.

These interconnections between the Authority's water system and GWA, as well as the interconnection with the donut-hole area may be ineligible costs as it allows for water to flow to non-airport entities. As noted above, to be eligible, the water system should only benefit the airport and its users.

**Questioned Costs:**

Paragraph 515 of the AIP handbook states that "The allowable cost of any utility installation serving both eligible and ineligible areas or facilities *will be a prorated share of the total cost*, the method to be determined by the FAA Airports Office as in Paragraph 613." Based on this premise, the questioned cost as of September 30, 2011 is estimated to be \$50,000. This amount is based on the construction cost of the interconnections as reported by an independent engineer during their review of the design and construction of the Authority's water system based on the grant applications submitted to the FAA.

**Context:**

This finding is an isolated instance based on the unique nature of the project. The review and approval of the water system design is a first-time event for the parties involved. The abovementioned questioned cost is based on the understanding that as of September 30, 2011, the Authority's water system was not yet operational and as such, no water has been made available for non-airport users.

**Effect:**

After review of the water system design and construction performed by an independent engineering firm, there appears to be parts of the water system that were constructed that may not be in accordance with the terms of the grant agreement and provisions of the AIP handbook.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2011

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

**Finding No. 2011 – 1, continued**

**Cause:**

The Authority's construction of the water system included provisions that would allow for the sale of water to non-airport users.

**Recommendation:**

To ensure full compliance with the terms of the AIP Handbook and the Grant Agreement, the Authority's water system should only service the airport and entities within the airport's property. Furthermore, we recommend that the Authority continue updating the FAA on the progress of the operation of the water system, including its intentions (if any) to sell water to GWA.

**Views of Responsible Officials and Planned Corrective Actions:**

The Authority entered into an agreement with GWA to operate and maintain the airport water system for an interim period of one year. During this period, the water system would serve airport properties and facilities, as intended; user costs are based on existing GWA rates and charges, and; system performance, labor and material costs will be monitored and recorded.

The Authority consulted with the FAA on January 17, 2012 and it was agreed that the additional information and data recorded during the first year of the water system's operation are needed to resolve the issue of questioned costs. This data would also form the basis for GWA's ratemaking determination that the Authority and its stakeholders will incur for the second operational year and beyond. Resolution is a work in progress.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2011

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

**Finding No. 2011 – 2**

**Federal Program Information:**

**CFDA No.:** 20.106  
**Program Name:** Airport Improvement Program (AIP)  
**Grantor Agency:** U.S. Department of Transportation  
**Federal Award No.:** 3-66-0001-58  
**Federal Award Name:** Improve Airport Utility Infrastructure (Water System)  
**Federal Award Year:** 2007  
**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. 4009 for payment request #13A, payroll periods of September 1, 2010 through June 28, 2011 were not properly prepared. Specifically, there were no positions listed for each individual in the certified payroll.

**Questioned Costs:**

No questioned costs were noted.

**Context:**

We tested 17 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, 2011

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

**Finding No. 2011 – 2, continued**

**Recommendation:**

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

**Views of Responsible Officials and Planned Corrective Actions:**

Once the Authority was made aware of the deficiency, it was corrected in timely manner with a revised certified payroll submitted with position titles. It was then determined that the subcontractor was in compliance with the prevailing wage rates and verified from employee interviews.

The Authority continues to communicate, emphasize and reinforce the requirements of the Davis-Bacon Act with the construction managers, contractors and their subcontractors to achieve full compliance. The Authority is considering financial penalties as a provision in the contract documents as an incentive for compliance.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Prior Audit Findings

Year ended September 30, 2011

Findings in the prior year Audit Report dated January 12, 2011 are as follows:

**Federal Award Findings and Questioned Costs**

**Finding No.:** 2010 – 1  
**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

**Finding:**

The Authority did not follow its procedure to determine the timing of reimbursement requests. As a result there was one transaction that the Authority requested for a drawdown prior to making payment to its vendor, noting more than 30 days had lapsed.

**Status:**

The Authority is more diligent in ensuring payments are made to vendors prior to requesting for a drawdown from the grants. No similar instance was noted in the 2011 audit.

**Finding No.:** 2010 – 2  
**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

**Finding:**

The Authority was not thorough in its review of certified payrolls. During our audit, we noted one of the certified payrolls tested was not properly prepared, noting no position titles were listed for each individual in the certified payroll.

**Status:**

The certified payroll noted in Finding No. 2010 – 2 was subsequently corrected and no further compliance issues were noted. We noted a similar situation as finding 2011 – 2.