



# OFFICE OF PUBLIC ACCOUNTABILITY

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## Port Authority of Guam – FY 2021 Financial Highlights

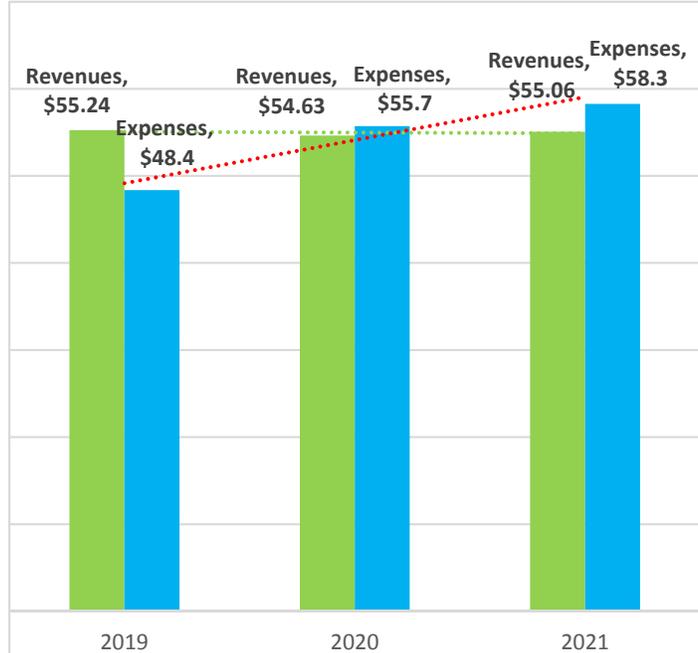
April 22, 2022

The Office of Public Accountability released the Port Authority of Guam’s (PAG) financial statements, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2021. PAG closed FY 2021 with a net position of \$13.8 million (M), a \$2.2M decrease from the prior year. This decrease is primarily due to fewer capital grants received by the U.S. Government in FY 2021.

Independent auditors Deloitte & Touche, LLP rendered unmodified (clean) opinions on PAG’s financial statements and compliance over major federal programs. In addition, the auditors did not identify any material weaknesses or significant deficiencies in internal controls. PAG is commended for qualifying as a low-risk auditee for the third consecutive year.

### Revenues Increased Slightly While Expenses Continue to Increase

PAG’s operating revenues increased slightly by \$432 thousand (K), from \$54.6M in FY 2020 to \$55M in FY 2021. This was mainly due to a (1) \$956K increase in revenues from cargo throughout charges, which went from \$33.8M in FY 2020 to \$34.8M in FY 2021, (2) \$172K increase in revenue from crane surcharge, which went from \$5.8M to \$6M, and (3) \$160K increase in revenues from Wharfage charges, which went from \$5.6M to \$5.8M. These increases were offset by a \$901K decrease in revenue for equipment and space rental and a \$43K decrease in revenue for special services, which is due to the negative ripple effect in overall business brought on by the COVID-19 pandemic.



PAG’s operating expenses continued its increase by going from \$55.7M in FY 2020 to \$58.3M in FY 2021. The \$2.6M increase is mainly due to (1) a \$1.4M increase in Retiree healthcare and other benefits due to an increase in retirement rates, which went from \$5.5M in FY 2020 to \$6.9M in FY 2021, (2) \$636K increase in General

expenses, which went from \$2.5M in FY 2020 to \$3.2M in FY 2021, (3) \$388K increase in Insurance due to higher insurance rates, which went from \$3.1M in FY 2020 to \$3.5M in FY 2021, and (4) \$285K increase in management and administration expenses for annual salary increments, hiring of new employees, benefits payouts to employees who separated in FY 2021, and annual salary

increments, which went from \$14.6M in FY 2020 to \$14.9M in FY 2021. There were also slight increases in equipment maintenance expense (\$41K), facility maintenance expense (\$26K), and Transportation services expense (\$16K). These increases were offset slightly by decreases in depreciation (\$102K), stevedoring services (\$95K), Utilities (\$55K), and Terminal services expense (\$15K).

### **Capital Projects**

With the approval of the Public Utilities Commission in 2021, PAG successfully negotiated a contract with Matson Navigation Company to aid in the management, performance, operation and maintenance of the PAG's gantry cranes and other cranes utilized in PAG operations.

In March 2021, PAG awarded the Construction Management contract for the Hotel Wharf and Route 11 Access Roadway project. The procurement solicitation was issued in 2021, and the review is currently ongoing.

Governor Leon Guerrero allotted PAG \$15M in American Rescue Plan Funds in November 2021. These will fund PAG's capital projects and the shortfall on bond projects. With this additional funding to free PAG's reserve fund, the agency can move forward with purchasing one new gantry crane. PAG Management is working with its Owner Agent Engineer to develop the Ship-to-shore gantry crane's specifications for procurement.

### **Oracle Enterprise One (E1) Financial Management System (FMS)**

In May 2021, PAG's E1 FMS went live. It has several modules, including General Accounting, Accounts Receivable, Accounts Payable, Fixed Assets, Budgeting, Payroll, Human Resources, Procurement, and Inventory. The system also can streamline processes that reduce non-value activity such as paper filing, spreadsheet reconciliations, manual calculation of interests and collection of late payments, manual inventory processes, and manual financial document delivery. Additional capabilities include the ability to fully implement Job Costing and Work Order system that integrates to General Ledger and other financial modules, which was not possible with the previous system. But most especially, the new system possesses the ability to move homegrown systems such as invoicing, check printing, W2 processing, requisition and purchase order processing, and financial required reports into the new E1 FMS.

### **Management Letter**

Independent auditors issued a Management Letter that identified three findings and recommendations. The first one was a repeat finding on lease agreements, where PAG has not finalized recent lease agreements with four tenants. In addition, two new findings were identified: (1) five employees were not identified in their staffing pattern payroll listing, and (2) stevedoring charges were incorrectly calculated.

For more details, refer to the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) or [www.portguam.com](http://www.portguam.com).