

October 27, 2004

### **Port Authority of Guam FY 2003 Highlights**

In a year when nearly all-autonomous agencies had significant losses, the Port Authority closed fiscal year 2003 with reported earnings of \$774 thousand; this represents a monumental increase from a year ago, when the Port had a net loss of \$5.4 million.

The Financial audit shows noteworthy improvement in the financial position of the Port Authority. Cash increased by \$8.5 million, which was largely attributed to their insurance receivables. Operating revenues increased by 26 percent while operating expenses increased by only 3 percent. As a result, the Port reported earnings of \$1,467,699 from operations for the first time in three years. In 2003 the Port Authority also reduced their staff by 42 from 398 employees to 356, however this decrease only translated into a \$322,767 reduction in salaries and benefits.

Although the Port has improved there are a few areas of concern, the financial statements show receivables for fiscal year 2003 has increased by 42 percent (\$1,128,679). In addition, the trend for higher insurance cost continues, as the Port saw a 35 percent increase in insurance expenses (\$645,695) from just a year ago. Insurance recoveries from several natural disasters has aided the financial statements of the Port, however the repairs and other expenses related to the disasters have not transpired as of fiscal year 2003.

The Independent auditor has issued its opinion that the Port Authority's accompanying financial statements present fairly, in all material respects, the financial position as of September 30, 2003 and 2002.

The Port's report on compliance and internal controls had seven findings, two of which are repeat findings from a year ago. As of the beginning of fiscal year 2003, prior audit adjustment were not posted or improperly posted to the Authority's records. Additionally, problems with the JD Edwards system resulted in the Port overstating depreciation expense by \$2 million.

Other findings reported by the external auditors:

- Overtime – a lack of internal control has lead to instances where several employees were paid for 24 hours or more during a single day.
- Procurement – \$10,675 were recognized as purchase orders that did not fully adhere to the procurement procedures set forth by Guam Public Law.
- A Reimbursement to Lessees – There was no evidence of competitive procurement for services contracted out by a lessee following Typhoon Pongsona.
- Revenue – untimely review and reconciliations of invoices, programming errors, and a lack of safekeeping of accounting documents.
- Public Assistance Grants - \$36,120 in question costs related to purchase orders and the non-compliance to OMB circular A-133.

For further discussion see the Management's Discussion and Analysis.