

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

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**INDEPENDENT AUDITORS' REPORTS ON  
COMPLIANCE AND INTERNAL CONTROL**

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**YEAR ENDED SEPTEMBER 30, 2004**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS  
BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Guam International Airport Authority:

We have audited the financial statements of the Guam International Airport Authority (the Authority), as of and for the year ended September 30, 2004, and have issued our report thereon dated December 29, 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.

**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 operations 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 items 2004-1 through 2004-3.

A material weakness is a reportable 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 caused by error or fraud 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 do not consider the reportable conditions described above to be material weaknesses.

**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 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*.

This report is intended for the information of the Board of Directors and management of the Authority, 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*

December 29, 2004

**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**

The Board of Directors  
Guam International Airport Authority:

Compliance

We have audited the compliance of the Guam International Airport Authority (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 its major federal programs for the year ended September 30, 2004. The Authority's major federal programs are identified in the Summary of Auditors' Results Section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 finding number 2004-4 in the accompanying Schedule of Findings and Questioned Costs, GIAA did not comply with requirements regarding procurement that is applicable to its Federal Emergency Management Agency (CFDA No. 83.544) program. Compliance with such requirements is necessary, in our opinion, for GIAA to comply with requirements applicable to that program.

In our opinion, except for 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, 2004.

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.

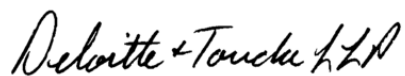
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding number 2004-4.

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. Our consideration of the internal control over compliance 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 do not consider the reportable condition described above to be a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated December 29, 2004. 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. The accompanying schedule described above 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 for the information of the Board of Directors and management of the Authority, 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.

A handwritten signature in cursive script, reading "Deloitte & Touche LLP".

December 29, 2004

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

Federal Program/Project Title	CFDA Number	Project No.	Program or Award Amount	Receivables from Grantor at 10/01/03	Cash Receipts FY 2004	Expenditures FY 2004	Receivables from Grantor at 09/30/04
U.S. Department of Transportation							
Direct Programs:							
Airport Improvement Program:	20.106						
Rehabilitate runway 6R/2L	20.106	3-66-0001-19	\$ 4,608,018	\$ 22,445	- \$	- \$	22,445
Construct parallel taxiway (note 3)	20.106	3-66-0001-21	2,386,699	36,616	18,410	12,839	31,045
Construct parallel taxiway (note 3)	20.106	3-66-0001-22	425,976	6,084	3,068	2,140	5,156
Construct noise compatability	20.106	3-66-0001-23	450,000	-	-	-	-
Construct parallel taxiway (note 3)	20.106	3-66-0001-24	2,202,325	25,855	13,040	9,095	21,910
Construct parallel taxiway (note 3)	20.106	3-66-0001-25	328,400	4,641	2,301	1,605	3,945
Construct loop taxiway (note 3)	20.106	3-66-0001-26	1,760,013	19,928	9,972	6,955	16,911
Rehabilitate runway 6L/24R	20.106	3-66-0001-27	850,000	-	-	-	-
Construct loop taxiway (note 3)	20.106	3-66-0001-28	5,958,210	132,989	86,755	32,812	79,046
Extend and rehabilitate runway 6L/24R	20.106	3-66-0001-29	4,590,000	2,729	2,729	-	-
Update airport master plan study	20.106	3-66-0001-30	540,000	247,636	342,948	95,312	-
Acquire land and relocation	20.106	3-66-0001-31	1,296,226	32,538	60,009	31,580	4,109
Acquire ARFF Vehicles	20.106	3-66-0001-32	2,366,608	2,124	769,969	1,791,829	1,023,984
Compensation of direct cost associated with new and revised security requirements	20.106	3-66-0001-33	2,130,676	(1,348,952)	-	599,899	(749,053)
Compensation of direct cost associated with new and revised security requirements	20.106	3-66-0001-34	2,182,341	-	-	-	-
Security enhancements-phase 1	20.106	3-66-0001-35	5,454,744	1,980	296,811	639,177	344,346
Rehabilitate TB & ARFF Bldg.; Install security fencing; repair SACS & misc. Nav Aids (typhoon damages)	20.106	3-66-0001-36	3,700,000	79,295	-	(4,824)	74,471
Improve Airport Utility Infrastructure (Water System) - Phase 1	20.106	3-66-0001-37	4,187,450	-	11,526	15,023	3,497
Replace airfield signage and lighting; Procure/install 2 LB; Repair 14 LB; Rehab ARFF Bldg; Replace/install perimeter fence (typhoon damages)	20.106	3-66-0001-38	16,900,000	58,910	-	414,036	472,946
Rehabilitate Rwy 6L/24R & Taxiway; Repair Airfield Lighting Vault & Terminal Bldg (earthquake damages)	20.106	3-66-0001-39	2,095,676	37,078	631,684	1,553,422	958,816
Conduct Noise Compatibility Study	20.106	3-66-0001-41	119,354	-	-	41,765	41,765
Acquire land for Noise Compatibility	20.106	3-66-0001-42	2,000,000	-	-	125,423	125,423
Airport Improvement Program Total	20.106		66,532,716	(638,104)	2,249,222	5,368,088	2,480,762
Highway Planning and Construction	20.205	GU-AP66(001)	5,743,624	837,498	-	28,854	866,352
Highway Planning and Construction	20.205	GU-AP66(002)	10,200,336	-	-	931,722	931,722
U.S. Department of Transportation Total			82,476,676	199,394	2,249,222	6,328,664	4,278,836
Economic Development Administration:	11.307						
Water & Sewer Line Extensions at Tiyan	11.307	07-49-03910	1,100,000	-	811,139	811,139	-
Waterline to Loop Water Systems at Tiyan	11.307	07-49-04841	469,000	-	-	-	-
Economic Development Administration Total			1,569,000	-	811,139	811,139	-
Federal Emergency Management Agency:							
Pass-Through Government of Guam:							
Typhoon Paka	83.544		1,237,090	181,362	-	-	181,362
Typhoon Pongsona	83.544		-	-	680,141	568,537	(111,604)
Federal Emergency Management Agency Total			1,237,090	181,362	680,141	568,537	69,758
Total Federal Awards Expended			\$ 85,282,766	\$ 380,756	\$ 3,740,502	\$ 7,708,340	\$ 4,348,594

See accompanying notes to the Schedule of Expenditures of Federal Awards.

# **GUAM INTERNATIONAL AIRPORT AUTHORITY**

## **Notes to the Schedule of Expenditures of Federal Awards September 30, 2004**

### **(1) Source of Funding**

The Authority's Airport Improvement Program and Highway Planning and Construction Program are funded primarily through grants from the U.S. Department of Transportation under Catalog of Federal Domestic Assistance (CFDA) numbers 20.106 and 20.205, respectively. The Authority's Economic Development Administration program is funded through grants from the Department of Commerce under CFDA number 11.307.

### **(2) Summary of Significant Accounting Policies**

#### **a. Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

For purposes 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 Catalog of Federal Domestic Assistance. 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.

#### **b. 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 to a certain phase of the project.

#### **c. 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, 2004. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

### **(3) Cost Allocation**

Grant numbers 33-66-0001-21, 22, 24, 25, 26 and 28 are commingled to fund construction of a parallel taxiway. Qualifying expenditures are allocated among these six grants.

### **(4) Federal Emergency Management Agency (FEMA)**

The FEMA grants for typhoons Paka and Pongsona are received in a subrecipient capacity through the Government of Guam.

# GUAM INTERNATIONAL AIRPORT AUTHORITY

## Schedule of Findings and Questioned Costs September 30, 2004

### Part I - Summary of Auditors' Results

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 was considered to be a material weakness.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none of which are considered to be material weaknesses.
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 Organization's major programs are:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Economic Adjustment Assistance	11.307
Highway Planning and Construction	20.205
Federal Emergency Management Agency	83.544

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 Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

### Part II - Financial Statement Findings Section

<u>Finding Number</u>	<u>Finding</u>
2004-1	Construction Invoice Processing
2004-2	Procurement of Construction Contracts
2004-3	Bond Covenant

### Part III - Federal Award Findings and Questioned Cost Section

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2004-4	83.544	Procurement	\$ <u>153,558</u>
		Total Federal Questioned Costs	\$ <u>153,558</u>



# GUAM INTERNATIONAL AIRPORT AUTHORITY

## Schedule of Findings and Questioned Costs, Continued September 30, 2004

### Finding No. 2004-1 – Construction Invoice Processing

#### Criteria:

Invoices from contractors for work performed should be recorded in a timely manner, usually in the month the service was performed.

#### Condition:

There is a significant delay in time from the invoice date to the date the invoice was approved by the Authority for payment as stated below.

<u>Inv#</u>	<u>Inv Date</u>	<u>Date Approved by GIAA</u>	<u>Amount</u>
8	8/31/2004	11/4/2004	\$ 237,726
1	9/30/2004	12/6/2004	1,008,168
1	9/30/2004	12/10/2004	18,968

#### Cause:

In some of the cases cited, invoices were returned to the contractor or vendor for additional documentation. In two of the three instances above, receipt of invoices from Construction Manager was delayed.

#### Effect:

Delays in processing of invoices can result in untimely month end closing and inaccurate financial statements.

#### Recommendation:

In cases where invoice processing is delayed, procedures should be implemented to ensure that invoice amounts are accrued at year end.

#### Auditee Response:

The contractor invoices noted are requests for progress payment based on actual work-in-place and materials on site. The Construction Manager retained by GIAA is responsible for the review and verification of the payment requests. Specific delays may be encountered for new contractors on their first payment request based on formatting or if clarifications are required by the Construction Manager. Contractor also needs time to make changes or provide supporting documentation. Upon receipt of an approved payment request, GIAA processes the remittance within thirty days. GIAA has not received any complaints from contractors for unreasonable delays to their payment requests.

# GUAM INTERNATIONAL AIRPORT AUTHORITY

## Schedule of Findings and Questioned Costs, Continued September 30, 2004

### Finding No. 2004-2 – Procurement of Construction Contracts

#### Criteria:

Invitation for Bid (IFB) is required for each construction project greater than \$50,000. Change orders should only be utilized for unexpected overruns of cost and necessary revisions related to the project, not to circumvent procurement regulations.

#### Condition:

During the year ended September 30, 2004, the following change orders to the Terminal Building general contract were made to include costs incurred for airport-related repairs that appear to be unrelated to the original contract.

Change order #68	\$ 15,884
Change order #69	30,888
Change order #70	3,500
Change order #72	18,911
Change order #75	<u>4,300</u>
	\$ <u>73,483</u>

#### Cause:

There appears to be a lack of internal controls over ensuring that procurement procedures are properly followed. However, it was noted that the TP-3 Project was closed as of September 30, 2004.

#### Effect:

There is no known effect on the financial statements as a result of this condition; however, the Authority may be in noncompliance with procurement rules and regulations.

#### Recommendation:

We recommend that change orders only be utilized for projects related to the original contract.

#### Auditee Response:

The contractor submitted change orders to GIAA for construction and repair services initiated by the airport. The bulk of the change orders were for repairs to the terminal building after Typhoon Pongsona. The change orders represented modifications under their Terminal Package No. 3 contract. GIAA did not act on the change orders and the contractor subsequently filed a claim under the Government Claims Act. The claim was reviewed by management and GIAA's legal counsel and determined to be proper. As a result, the GIAA Board of Directors approved payment of the contractor claim.

# **GUAM INTERNATIONAL AIRPORT AUTHORITY**

## **Schedule of Findings and Questioned Costs, Continued September 30, 2004**

### Finding No. 2004-3 – Bond Covenants

#### Criteria:

Article V, Section 5.02, of the September 1, 2003 Bond Indenture establishes the allocation of revenues. Funds are to be transferred by the 5th of the month in the amount necessary to increase the balances of the Operations and Maintenance (O&M) fund and the Bond Debt Service Funds (Principal and Interest) to the required amount.

#### Condition:

Per review of the October to December 2004 investment statements, we noted the following:

1. The October 2004 transfer was made seven days late (October 12, 2004)
2. The November 2004 transfer was made three days late (November 8, 2004)
3. For the Bond Debt Service Fund (Interest), the required funds to be transferred were \$850,683. However, for October and November 2004, only \$425,334 was transferred. The required amounts were transferred on December 12, 2004 for October through December 2004.

#### Cause:

Bond trustees failed to make transfers in a timely manner. The Authority is not receiving investment statements on a timely basis.

#### Effect:

There is no known effect on the financial statements as a result of this condition; however, the Authority was temporarily in noncompliance with its bond covenants.

#### Recommendation:

We recommend that the Authority continue to follow up with bond trustees to ensure that investment statements are received promptly and that transfers to bond funds are made in accordance with bond covenant requirements.

#### Auditee Response:

The Trustee, Bank of Hawaii sold its corporate trust business to The Bank of New York in December 2003. The Authority has since been receiving the monthly statements late. Transfers will be monitored closely as statements are received. In January 2005, the Authority has applied with the Trustee to set up the systems download of the monthly statements to prevent late receipt.

# GUAM INTERNATIONAL AIRPORT AUTHORITY

## Schedule of Findings and Questioned Costs, Continued September 30, 2004

Finding No.: 2004-04  
CFDA No.: 83.544  
Program Name: Federal Emergency Management Agency  
Area: Procurement  
Questioned Costs: \$153,558

### Criteria:

In accordance with OMB Circular A-133 procurement requirements and the Common Rule, the grantee shall maintain records to support the rationale for the method of procurement and selection of contractor.

### Condition:

In two out of seven transactions tested, a rationale for the vendor selected was not available for our review for the following transactions:

<u>Goods/Services Procured</u>	<u>PO #</u>	<u>Amount</u>
Janitorial Services, post typhoon recovery	GIAA-FY03-40768	\$ 97,148
Temporary roof repairs to Bldg #17-3404	GIAA-FY03-40374	<u>56,410</u>
		\$ <u>153,558</u>

### Cause:

These transactions were procured immediately after Supertyphoon Pongsona. Communication systems were down, power was out all over the island and there were gasoline shortages. The expenditures were required to restore operations to the Airport. The Authority's ability to obtain timely cost quotes from contractors was severely hampered.

### Effect:

The grantee is in noncompliance with OMB Circular A-133 procurement requirements. Questioned costs of \$153,558 exist.

### Recommendation:

In emergency conditions such as those outlined above, we recommend that the Authority document in writing all efforts to obtain competitive cost estimates from contractors, even if efforts were unsuccessful.

### Auditee Response:

It is very important to note that the conditions or actions to this finding occurred in December 2002 and January 2003 or Fiscal Year 2003 following Supertyphoon Pongsona and is essentially similar to Finding No. 2003-9 from the prior year's audit. It does not reflect a GIAA action taken during the period of the fiscal year 2004 audit but only that FEMA funds were received during the period of this audit.

Furthermore, GIAA received from the FAA its opinion that the actions GIAA took to reopen the airport was prudent and diligent based on public exigency after Supertyphoon Pongsona damaged the airport. FAA guidance on noncompetitive proposal follows:

## GUAM INTERNATIONAL AIRPORT AUTHORITY

### Schedule of Findings and Questioned Costs, Continued September 30, 2004

Finding No.: 2004-04, Continued  
CFDA No.: 83.544  
Program Name: Federal Emergency Management Agency  
Area: Procurement  
Questioned Costs: \$153,558

#### Auditee Response, Continued:

#### FAA ORDER 5100.38B AIP HANDBOOK

#### 905. Noncompetitive Proposal

##### d. Noncompetitive Proposal.

1. Although it is preferred that all procurements be made on a competitive basis, a noncompetitive proposal is permitted under the following circumstances:
  - a. The item is available only from a single source;
  - b. Public exigency or emergency when the urgency for the requirement will not permit a delay incident to competitive solicitation;
  - c. After solicitation of a number of sources, competition is determined inadequate; or
  - d. The FAA authorizes noncompetitive negotiation.

- Janitorial services, PO#40768, Amount \$97,148.00

The purchase order was issued to cover the cost of janitorial services performed as post typhoon recovery efforts. The scope of work includes cleaning, deep extraction of water from carpeted areas, wax stripping and reapplication of wax on floor areas throughout the entire air terminal.

The heavy wind blown rain and debris caused extensive water damages to the floor areas at the Main Terminal Building. These areas are critical to airport operations. The Inbound and Outbound Baggage Systems were also affected.

During Supertyphoon Pongsona, the Airport Terminal had suspended all incoming and outgoing flights. As a result of the damages it sustained from the typhoon, the airport remained closed and resulted in thousands of traveling public stranded on Guam and the other airports for Guam destination. In an effort to resume flight operations as soon as possible, the Airport engaged the services of Advance Management Services, who at the time had an existing contract with the Airport to perform custodial services for the entire Terminal Building. The purchase order served as an addendum to the original contract providing for other services to be performed by the existing contractor. The Airport acted in good faith in awarding the project to Advance Management Inc. due to the urgent need to resume flight operations.

- Temporary roof repairs, PO#40374, Amount \$56,410.00

The temporary roof repairs pertain to the GIAA Tiyan Warehouse which housed the Continental Supply Warehouse, Customs and Quarantine's supply warehouse, and two (2) other tenants of GIAA. This facility was crucial to Continental's operations as it stored the aircraft supplies. In an effort to resume Guam's flight operations, GIAA placed a priority to repair this facility in support of Continental's first outgoing flight operation.

## **GUAM INTERNATIONAL AIRPORT AUTHORITY**

### **Schedule of Findings and Questioned Costs, Continued September 30, 2004**

Finding No.: 2004-04, Continued  
CFDA No.: 83.544  
Program Name: Federal Emergency Management Agency  
Area: Procurement  
Questioned Costs: \$153,558

#### **Auditee Response, Continued:**

After Supertyphoon Pongsona, the island was faced with lack of communication systems, power systems and gasoline shortages. These resulted in many businesses being closed or not fully operational. As a result, securing three (3) positive quotations became a very difficult task. The attached affidavit from Patrick Duffie, a GIAA representative, confirmed the attempts made in obtaining quotations for the temporary roof repair of the Tiyan Warehouse facility.

#### **AUTHORITY'S MEASURES TO PREVENT FUTURE OCCURRENCES:**

Under the mandates and policies of the GIAA Board of Directors and the Chief Procurement Officer, all procurement of supplies and services must adhere to strict internal controls to ensure that all regulations are being followed. As evidence of continuing compliance, GIAA received its delegation of procurement authority beginning January 2005. New procedures have been implemented to ensure all transactions and documentations are centralized with the Procurement Section. Also, a policy has been established that a member of GIAA Board of Directors is appointed to be a member of the Evaluation Committee in evaluating proposals received under the "Request For Proposals" procurement method.

The present management is strongly committed to adhering to procurement rules and regulations and in an effort to ensure continuous compliance to the procurement rules and regulations, the Procurement staff were provided and have completed its training under the Chief Procurement Officer of the General Services Agency.

Again, it is important to re-emphasize that the conditions to this finding occurred 24 months ago. A condition noted and corrected.

# GUAM INTERNATIONAL AIRPORT AUTHORITY

## Summary of Prior Findings September 30, 2004

FY2002 Unresolved Questioned Costs:	
Finding 2002-15, Procurement (CFDA #20.106)	\$ 268,350
Finding 2002-16, Activities Allowed and Unallowed (CFDA #20.205)	625
Finding 2002-17, Special Tests and Provisions – Revenue Diversion (CFDA #20.106)	<u>2,489,529</u>
	<u>2,758,504</u>
Less: Resolved Questioned Costs:	
Finding 2002-15, FAA resolution	(268,350)
Finding 2002-16, FAA resolution	(625)
Finding 2002-17, FAA resolution	<u>(1,924,827)</u>
	<u>(2,193,802)</u>
Total FY2002 unresolved findings	<u>564,702</u>
FY2003 Unresolved Questioned Costs:	
Finding 2003-7, Special Tests and Provisions – Revenue Diversion (CFDA #20.106)	2,860,521
Finding 2003-9, Procurement (CFDA #20.106 and 20.205)	<u>356,898</u>
	<u>3,217,419</u>
Less: Resolved Questioned Costs:	
Finding 2003-7, FAA resolution	(2,860,521)
Finding 2003-9, FAA Resolution	<u>(356,898)</u>
	<u>(3,217,419)</u>
Total FY2003 unresolved findings	<u>-</u>
FY2004 Unresolved Questioned Costs:	
Finding 2004-5, Procurement (CFDA #83.544)	<u>153,558</u>
Total unresolved findings	\$ <u>718,260</u>