

Management Letter

Guam International Airport Authority

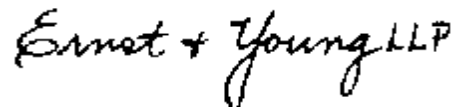
For the year ended September 30, 2005

The Board of Directors
Guam International Airport Authority

In planning and performing our audit of the financial statements of the Guam International Airport Authority (the “Authority”) as of and for the year ended September 30, 2005 we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Findings 2005-1 to 2005-14 in the following pages came to our attention that we believe merit your consideration.

This report is intended for the information of the Board of Directors and Management of the Authority, and is not intended to be, and should not be, used by anyone other than those specified parties.



December 2, 2005

Guam International Airport Authority

Management Letter

September 30, 2005

Finding Number 2005 – 1

Accounts Receivable

Criteria:

Documentations and/or agreements should be maintained to support balances recorded in the general ledger.

Condition:

The accounts receivable confirmation procedures revealed a difference of \$26,140 from Fleet Services (general ledger was overstated). This difference pertains to a credit memo that Fleet Services is claiming.

Cause:

There is no support for the credit memo on file. We were informed that there might have been an oral agreement between the tenant and the Property Management Office (PMO). However, no documentation has been forwarded to the Accounting Department. Since this claim is still pending resolution with the tenant, an adjustment was not made to the general ledger.

Effect:

Accounts receivable balances might be misstated.

Recommendation:

We recommend that the Authority maintain all the pertinent documents needed to support the balances recorded in the books.

Auditee Response:

The tenant's claim for rent adjustment stems from costs incurred to repair damages to its leased premises as a result of a catastrophe. The claim was reviewed by management and legal counsel and determined to be proper. While an amendment to the Agreement was executed by the Authority and Fleet Services to reflect the rent adjustment, tenant continues to dispute payment of the amount stated in this finding. The Authority will diligently pursue resolution of this claim with its tenant.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 2

Accounts Receivable – Employees

Criteria:

Under section 6.01 of the Travel Policy, all travelers are required to submit a Travel Expense Report to the Authority within ten calendar days after returning from travel. The Accounting Department should then review invoices supporting the Travel Expense Report to validate charges made and to determine whether a shortage or overage occurred and correspondingly seek reimbursement from or reimburse the traveler.

Condition:

The audit of “accounts receivable – employees” revealed a total of \$57,950 in travel advances made to a delegation task force of the Authority, which remained outstanding as of September 30, 2005. There were no movements in these balances since issuance during 2003 and 2004. In addition, the travel expense reports for the delegation task force could not be located.

Cause:

It appears the Authority is not closely monitoring the status of outstanding travel expense reports.

Effect:

This condition represents noncompliance with the Authority’s travel policies and procedures. In addition, travelers may have been compensated for invalid or nonexistent expenses.

Recommendation:

We recommend that the status of outstanding travel expense reports be monitored closely.

Auditee Response:

The conditions or actions to this finding occurred in Fiscal Years 2002 and early 2003 and has been corrected. The Authority has sent out notices to the travelers advising of the outstanding travel expense reports and will continue to diligently pursue the submission of these reports otherwise any outstanding amounts will be forwarded for collection.

The Authority has since enforced the 10-day requirement for travelers’ submission of expense reports or otherwise the Authority will create a receivable. For Fiscal Year 2005, all employees on official government travel have met the 10-day submission requirement.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 3

Accounts Receivable – Employees

Criteria:

Payroll deductions should be accurately reflected in the payroll register.

Condition:

A total of \$105,283 in employee receivables as of September 30, 2005 pertains to the generators purchased by the Authority on behalf of employees, in a prior year. However, our tests of the repayments through payroll deductions revealed differences between the payroll deduction schedule and the payroll register.

Cause:

It appears that the Authority is not reconciling the payroll deduction schedule and the payroll register.

Effect:

Employee receivables might be misstated.

Recommendation:

We recommend that the Authority ensure that payroll deductions are accurately reflected in the payroll register.

Auditee Response:

The Authority deducts the amount authorized by the employee through the Authority's Employee Organization ("GIAAEO").

The payroll system is not set up to calculate the total amount of deduction thus, does not automatically terminate the deduction when amount is fully paid. The Authority corrected this matter and employees were refunded their overpayments.

The payroll supervisor will coordinate with the accounts receivable personnel to reconcile payments deducted from employees each pay period.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 4

Work in Progress Close-Out Testing

Criteria:

Capitalization of fixed assets that are placed in service should be recorded in the proper period.

Condition:

The badging work station was completed on October 15, 2003 and was already being used for operation. However, this equipment totaling \$12,018 was only recorded as a capital asset to be “depreciated” at the end of fiscal year ended September 30, 2005 (FY2005).

Cause:

It appears that the Engineering Department did not notify the Accounting Department, in a timely manner, that this equipment that was placed in service.

Effect:

This results in the understatement of depreciation expense.

Recommendation:

We recommend that the Engineering Department provide the Accounting Department, in a timely manner, with a list of equipment placed in service.

Auditee Response:

All end-users of equipment shall notify the Accounting Department of any assets placed in service on a timely manner.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 5 **Custom Fees**

Criteria:

Under Public Law (PL) 23-45, the Authority assesses and collects from air carriers, fees for customs and agricultural inspection services rendered at the terminal. The Authority is required to remit all collections, within five days of receipt, to the Treasurer of Guam (TOG) for deposit to the Customs, Agriculture and Quarantine Inspection (C&Q) Services Fund.

Condition:

Our audit of custom fees revealed that the Authority did not make timely remittances to the TOG as summarized below:

Month	Date of Remittance
October 2004	No remittance
November 2004	No remittance
December 2004	12/17/2004
January 2005	1/21, 28/05
February 2005	2/11, 25/05
March 2005	3/4, 11, 18/05
April 2005	4/1, 22, 29/05
May 2005	5/13, 20, 27/05
June 2005	No remittance
July 2005	7/1, 8, 22, 29/05
August 2005	8/5, 26/05
September 2005	9/2, 9, 30/05

Cause:

It appears that the Authority is not closely monitoring the timely remittance of custom fees.

Effect:

The Authority did not comply with the requirements of PL 23-45.

Recommendation:

We recommend that the Authority remit collections from carriers to the TOG within five days of receipt, in accordance with the requirements of PL 23-45.

Auditee Response:

Payments received from carriers are deposited directly to the Customs Facility Charge Fund. These funds are transferred via Bank of Guam on a weekly basis to the Customs cash account. However, because of non-payment of rent invoices from C&Q, the Board directed the Authority to offset rent due from custom fee receipts.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 -6 Accrued Typhoon Expenses

Criteria:

Accrued typhoon expense should be reviewed for reasonableness and closed out if necessary.

Condition:

Our audit of accrued typhoon expenses revealed that a significant portion of the accrued typhoon expenses pertaining to typhoon Pongsona in 2002 did not move during FY2005. A total of \$1,245,919 pertained to the estimated typhoon repairs of the Guam Police Department (GPD) facility.

Cause:

It appears that the Authority is not closely monitoring the status of the typhoon repair projects. According to Authority personnel, there was no movement in the accruals for the GPD facility because the Authority is still questioning the typhoon repair invoices that GPD is requesting for reimbursement. Apparently, GPD did not follow the required procurement procedures, wherein they did not obtain three quotes prior to selecting the vendor.

Effect:

This results in possible overstatement of the accrued typhoon expense.

Recommendation:

We recommend the Authority monitor the status of the typhoon repair projects, review the typhoon expense accruals and close out projects on a monthly basis, as they are completed.

Auditee Response:

The Authority will work closely with GPD to obtain necessary documents to properly evaluate whether cost incurred for the repair of facilities are reimbursable.

The Authority will closely monitor typhoon repair projects.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 - 7 **PFC Revenue**

Criteria:

The Federal Aviation Authority (FAA) released revisions to the passenger facility charge (PFC) rule for compensation to air carriers. Effective May 1, 2004, as compensation for collecting, handling, and remitting the PFC revenue, the collecting air carrier is entitled to retain \$0.11 of each PFC collected, which was previously \$0.08 for each PFC remitted to the airport operator. In addition, for any refunded tickets, the airline is still entitled to \$0.11 because it collected and handled the PFC.

Furthermore, the FAA requires the Authority to obtain annual audited PFC reports from the airlines.

Condition:

Our audit of PFC revenue revealed the following:

- China Airlines was only keeping \$0.08 for compensation, instead of the \$0.11 that FAA had mandated. China Airlines did not follow the new ruling until May 2005. In addition, the rate for the refunded PFC could not be determined based on the information provided by China Airlines. This is because China Airlines's PFC payment summary does not provide information on the number of passengers for PFC collected and refunded PFC.
- The Authority did not receive annual audited PFC reports from any of the airlines during FY2005.

Cause:

The Authority relies on the PFC Remittance Report submitted by the airlines. Since some of the airlines' PFC remittances are handled by off-island offices, the Authority does not question if there are any rate discrepancies.

Effect:

A possibility exists that the airline may not have the procedures in place to adequately account for the PFC revenue received from the customers and remitted to the Authority. This in turn may affect the completeness and accuracy of the PFC revenue received and reported by the Authority.

Recommendation:

The Authority should ensure that the airlines provide the required audit reports. However, in the absence of such reports, we recommend that the Authority review the PFC payment summary submitted by the airlines for completeness and accuracy.

Auditee Response:

The Authority will send a reminder notice to each carrier remitting PFC's to its facility, noting the current collection rate of \$4.50 per passenger and the compensation rate of \$.11 per passenger to be retained by the carriers. Hopefully, these notices will prompt carriers to collect and remit the correct amount of PFC receipts. The Authority will monitor the calculation of PFC remittances and follow through with air carriers on discrepancies.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 7, continued
PFC Revenue

Auditee Response, continued:

The Authority will also establish a written requirement to collecting carriers to provide quarterly reports and independent audits of their PFC accounts on a timely basis.

In the case of China Airlines, we are working with their Guam office to assist in getting the contact person for PFC's in order that we may discuss the calculation of remittances for PFC collected for Guam and make the proper adjustments. China Airlines corrected their remittance in March 2005.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 8 **Lease Agreements**

Criteria:

Lease agreements should be renewed on a timely basis, properly documented and signed by all parties.

Condition:

We noted the following:

- The Department of the Navy's lease agreement expired on May 31, 2004 without a written renewal but was deemed effective by the Authority.
- DISID's lease agreement expired on September 30, 2002. We were informed that the Authority cannot execute a lease agreement with DISID since DISID is not allowed to occupy the Authority's premises under a certain Public Law.
- The extended lease agreement with Continental Micronesia was not supported by a written acknowledgement from the tenant.

Generally lease agreements include a "holding over" provision upon expiration of the lease agreement. However, the holding over provision for the above tenant stipulates:

"If airline remains in possession of the leased premises after the expiration of this Agreement **without any written renewal thereof**, such holding over shall not be deemed as a renewal or extension of this Agreement, but shall create only a tenancy from month to month that may be terminated at any time by Authority."

It should be noted that **there is a written renewal** already but just not signed by the airline yet. Hence, the holding over provision does not apply in this case.

- The lease agreement with Freedom Air was not finalized and approved in a timely manner. During FY2005, a \$20,852 adjustment was made to the billing for this tenant for additional space leased, which pertained to the period from December 2003 to February 2005. The lease agreement was not finalized and approved for billing until March 2005.

Cause:

Lease agreements were forwarded to the Authority's legal counsel for review but have not yet been finalized.

Effect:

A retroactive billing will need to be provided to cover the period from the commencement of the lease up to the date when the lease agreement is finalized.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 8, continued **Lease Agreements**

Recommendation:

We recommend the following:

- The Authority ensure that adequate documentation exists for significant transactions/agreements, which will serve as a future reference regarding the terms agreed by both parties. The lack of formal written agreements may result in misunderstandings.
- The Authority renew lease agreements in a timely manner to reduce the number of retroactive adjustments and properly state revenues for a given period.
- The Authority ensure that finalized copies of lease agreements are obtained in a timely manner.

Auditee Response:

Timely renewals of leases and agreements has been mandated by the Authority's management. The Authority has instituted procedures to commence tenant negotiations or lease renewals 90-120 days prior to its expiration and/or assess rental charges or fees based on a lease proposal signed by the parties, pending formal execution of the Agreements.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 9 **Revenue From Money Exchange**

Criteria:

The Authority should ensure that it is in compliance with stipulations outlined in concession agreements.

Condition:

Revenue from money exchange did not follow the stipulations in the agreement with Thomas Cook Currency Services, Inc. (Thomas Cook or dba Travelex). The agreement stipulates that Thomas Cook should pay a minimum monthly rent or 10% of gross monthly sales, whichever is higher. However, during FY2005, this concessionaire only paid the minimum monthly rent without regard to the percentage rent.

Cause:

The Authority stopped billing Thomas Cook for percentage rent since 2002. However, there is no written agreement indicating that the percentage rent will not apply.

A letter from Travelex, dated March 25, 2002, indicated that rental of space in the concourse area was waived and the Minimum Annual Guarantee ("MAG") would follow that of the fourth year as indicated in the lease agreement. The concessionaire noted \$282,010 as the MAG, but the lease agreement stated \$288,010. However, upon review of the MAG paid for FY2005, it only amounted to \$257,152 (which is the third year amount per the lease agreement). The concessionaire requested for the adjustment to rent due to the economic problems faced with travel as a result of the September 11 attacks.

Effect:

The lease agreement which was extended was initially for the period from September 24, 1996 to September 23, 2001. As such, the rates were not updated to reflect/coincide with current economic conditions (which has improved much since the 9/11 economic downfall). Consequently, the Authority's FY2005 revenues were potentially understated by \$327,417, which represents the difference between the MAG and the percentage rent.

Recommendation:

We recommend the Authority revisit the terms of the lease agreement with Thomas Cook and amend as necessary.

Auditee Response:

Following the 9/11 incident and the uncertainties with air travel, the Authority had provided rent relief with concessionaires operating under minimum annual guaranteed terms. This was done in an effort to minimize operational and service impact, while maintaining revenue streams to the airport. For this particular concession, the Authority will work to resolve or clarify the monthly sales reports to ensure that gross sales have not been overstated. It is noted that a competitive bid will be issued for these services within the next 90 days.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 10

Miscellaneous Revenue – From TSA

Criteria:

According to the Reimbursement Agreement entered into by the Authority and the Transportation Security Administration (TSA), TSA shall provide reimbursement to the Authority for Law Enforcement Officers (LEO) at a mutually agreed upon hourly rate for providing qualified law enforcement services on-site at the airport and to provide law enforcement response to the security passenger-screening checkpoints.

Condition:

The Authority did not bill TSA for the period from April 1, 2004 to September 30, 2004 and for FY2005.

Cause:

The Authority cannot just bill TSA without the supporting payroll records of the airport police. The Authority has not been able to review the detailed payroll records from the airport police which should support the invoice that they are supposed to bill TSA.

Effect:

Miscellaneous revenues are understated by the non-recording of reimbursement of expenses incurred for LEOs totaling \$81,252 for FY 2004 and \$167,024 for FY2005.

Recommendation:

We recommend that the Authority actively pursue the recording of revenues and ensure that such revenues are recorded in the proper period.

Auditee Response:

As part of the verification process, the Authority requested from the Airport Police Division additional documents.

The Authority with the assistance of TSA, is in the process of implementing a revised system that will make the verification process easier.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 11 **Deferred Revenue**

Criteria:

Deferred revenues normally represent advance payments received for future billing periods.

Condition:

The Authority's deferred revenues primarily included overpayments from ACI Pacific and Asia Pacific Airlines totaling \$30,641 and \$26,601, respectively. These represented differences in billed invoices, wherein both of these vendors have been making monthly payments that are more than the Authority's billed invoices.

Cause:

There could have been revised agreements with these vendors which had not been finalized and which served as the basis for the vendors' monthly payments.

Effect:

These overpayments continue to be recorded as deferred revenues until such time the invoice discrepancies are resolved.

Recommendation:

We recommend the Authority resolve the invoice discrepancies with the vendors, in a timely manner, and provide a copy of the revised agreement to the Accounting Department for proper/timely billing.

Auditee Response:

Additional revenues were not recognize in FY2005 pending the amendment to the lease agreement. The tenants were given a temporary relief to their rent due to damages incurred during the typhoon until such time the building is restored to the building code. In FY2006 the Accounting Division received the notice to reinstate the rent. The rent adjustments will be recognized in FY2006 since the adjustment is not material.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 12

Travel Expenses

Criteria:

Section XIX.C of the agreement between the Authority and Financial Consultant stipulates that the consultant is authorized to be reimbursed by the Authority for all reasonable expenditures, including, but not limited to, airfare, lodging, ground transportation, meals and entertainment costs for approved travel necessary to accomplish the scope of services.

Condition:

Subsequent to FY2005, the Authority recorded a post closing adjusting entry to record travel expenses incurred by the financial consultant. However, these expenses were for the period from April to June 2005 and were only submitted for reimbursement on November 22, 2005.

Cause:

The cause of this condition is unknown.

Effect:

This condition resulted in untimely recording of the transaction for financial reporting purposes.

Recommendation:

We recommend the following:

- The Financial Consultant submit reimbursement requests within the most reasonable time possible to ensure recording of transactions in the proper accounting period.
- The Authority consider amending the agreement with the Financial Consultant to include a grace period for the submission of requests for reimbursement.

Auditee Response:

As part of closing the fiscal year, all Divisions were reminded to review their files and submit all invoices to close the month/fiscal year. The Authority will continue coordinating with the Divisions so that this will no longer occur.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 13

Parking Lot Revenues

Criteria:

Prior to June 2005, the Authority maintained the exit toll booth in three shifts. After each shift, the toll booth operator sums up the total number of parking tickets received on the Shift Collections Report which also summarizes the cash count. In addition, a Validation Log Sheet is summarized for all parking tickets issued to tour buses and vans for amounts charged to accounts receivable.

As of June 2005, the parking lot operation was privatized with PacAir Services, Ltd. (PacAir) and revenue generated from parking lot operations is under a concession agreement.

Condition:

Our audit of parking lot revenues revealed the following:

- The amount due to the Authority was handwritten for the parking lot tickets on May 26, 2005.
- We re-counted the parking lot tickets on March 16, 2005 and found one ticket not included in the Shift Collection Report. This ticket had the time and date upon entrance but not upon exit and also did not include the amount due to the Authority.

Cause:

- The parking lot register malfunctioned on that day. Hence, the amount due on the parking lot tickets on May 26, 2005 was handwritten.
- Accounting personnel normally verifies any unaccounted parking tickets received or any missing parking tickets against the Shift Collections Report. However, for the March 16, 2005, Shift Collection Report accounting personnel appear to have missed one unaccounted ticket.

Effect:

This results in possible misstatement of parking lot revenues.

Recommendation:

We recommend the following:

- The Authority review the controls that PacAir has in place to ensure that there is full accountability for all parking lot tickets.
- The Authority revisit the parking lot hardware and software which PacAir uses to determine that it is reliable and that it operates smoothly all the time.
- The Authority become aware of PacAir's controls in case of future malfunction of the parking lot register.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 13, continued
Parking Lot Revenues

Auditee Response:

As accurately noted in this finding, the Authority awarded the concession to PacAir Services effective June 2005. The Authority continues to work closely with the concessionaire to enhance parking services and revenues. Since taking over, PacAir has installed new parking equipment to ensure full accountability of all parking transactions. Parking tickets are bar-coded with license plate recognition (via cameras at entry/exit booths) associated with each ticket. To minimize any equipment breakdowns, a monthly maintenance program has been implemented by the concessionaire with a technician assigned to each shift.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 14 **Information Technology**

Criteria:

Based on the Information Systems Audit and Control Association's (ISACA) Segregation of Duties Control Matrix, the Control Objectives for Information and related Technology (COBIT®), and our review of the Authority's "Network Infrastructure Policy, Disaster Recovery Plan and Security Policy the Authority should ensure that its IT environment adheres to criteria 1 to 9 below.

1. The Authority is to ensure the protection of the physical network infrastructure.
2. Segregation of duties in the IT environment will ensure integrity of business data.
3. Testing of the Disaster Recovery Plan must be done annually to ensure continuity of the Authority's operations in the event of a disaster.
4. Based on the Security Policy's Password Rules, the AS400 system requires all users to set a new password every 30 days.
5. User Access Authorization Forms should be used to request access to the AS400 server and other business applications.
6. In accordance with COBIT®, "change management is to ensure that during design, development and implementation the status of individual requirements (including all rejected requirements) is tracked and changes to requirements are being approved through an established change management process".
7. In accordance with COBIT®, "IT Governance is the responsibility of executives and the Board of Directors, and consists of the leadership, organizational structures and processes that ensure that the enterprise's IT sustains and extends the organization's strategies and objectives".
8. The Security Policy should serve as the governing document covering security aspects of the entire IT network.
9. The AS400 system administrator should remove terminated user profiles in a timely manner.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 14, continued **Information Technology**

Conditions:

We noted the following:

1. The Authority uses a water-based fire suppressant system in the main computer room, which is worse than not having a fire suppressant system.
2. Relative to segregation of duties:
 - One individual is performing the duties of a “security officer” while also performing her primary duties of software programmer. However, based on the segregation of duties control matrix, an application programmer should not also perform the duties of a security administrator or a data entry operator.
 - The Data Processing Department serves as “backup data entry operator” for the procurement and payroll sections.
3. The Disaster Recovery Plan has not been updated for years and no testing has been done since 1999.
4. Some active users have not changed their password for more than one year. In addition, the password expiration day is inconsistently set to the user profiles. The AS400 system values of QPWDEXPITV is set to *NOMAX; while the “Expiration Interval” field in user profiles are set either to 30 days, 60 days, or to *SYSVAL.
5. The User Access Authorization Forms are not used consistently. Some requests are made via email.
6. The Authority does not currently have a change management policy or change management procedures.
7. The Board of Directors does not have an “information system committee”. As such, Management is responsible for making all IT decisions and executing all IT initiatives.
8. The Security Policy only addresses “AS400 system security”.
9. There are many old and disabled user profiles in the system.

For condition 2 above, it appears the Authority is not aware of the ISACA’s segregation of duties control matrix.

For all other conditions the cause is unknown.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 14, continued **Information Technology**

Effects:

As summarized below, conditions 1 to 6 pose a high risk threat to the Authority:

1. In the event there is a fire on the same floor, water will be released into the computer room, which will result in total damage to the computer system.
2. The condition on segregation of duties represents noncompliance with the ISACA's IT Governance, which introduces risks to the integrity of the Authority's data.
3. In the event of a disaster that causes damage to the computer system, the availability of the information system will be in question and the Authority's operations could be stalled.
4. Use of the same password over time weakens the security of the network system. The password may be discovered by unauthorized users, which may lead to issues with data confidentiality, unauthorized modifications, and data integrity.
5. Inconsistent use of the User Access Authorization Form represents a security lapse, which makes auditing of user access difficult. It also represents noncompliance with general security controls, which may introduce risks such as unauthorized users in the network or simply unauthorized access to the network.
6. Without a proper change management policy or procedures, it may be difficult to track problems after changes are made in the system. Unauthorized changes may also be made, which may affect calculations and reporting, resulting in risks to data integrity.

Conditions 7 and 8 do not pose a high risk threat to the Authority, while condition 9 poses little threat to the Authority. However, the Authority should note the following:

7. For all IT projects, the "information system committee" of the Board of Directors should be in charge of project approval, budget appropriation, vendor selection, and project monitoring. The committee must also ensure that all substantial IT projects are aligned with the Authority's objectives.
8. Management cannot enforce "comprehensive security procedures" without a comprehensive security policy.
9. The existence of old and disabled user profiles may interfere with administrative monitoring of the active profiles.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 14, continued **Information Technology**

Recommendations:

We recommend the following:

1. The Authority immediately cutoff the water suppressant system into the computer room, and replace the water suppressant system with a gas-based fire suppressant system, such as the modernized Inergen System.
2. The Authority assign the duties of: (1) the “security officer” to another individual and (2) the “backup data entry operator” to other individuals within the procurement and accounting departments. Based on ISACA’s segregation of duties control matrix, only the system analyst, end user, tape librarian, and quality assurance personnel may perform the duty of data entry.
3. The Authority update and test the Disaster Recovery Plan annually and after major changes in the infrastructure. Tests should be performed in order to simulate an actual disaster and to observe the performance of the recovery process. It may involve operations personnel
4. The Authority enforce the Password Change Policy using “AS400 system tools”.
5. The Authority amend the Security Policy to require mandatory use of the User Access Authorization Form and to require the authorized signatures of two or more supervisory individuals.
6. The Board of Directors develop and approve a change management policy and related procedures, wherein management approval will be required prior to making any changes to the applications or to the system. Changes must first be approved by upper management, analyzed by the Accounting Department, and afterward tested by all affected users.
7. The Board of Directors create an “information system committee” consisting of Directors with knowledge in this area.
8. The Board of Directors amend the Security Policy to address IT areas other than the AS400. These may include: user responsibility, physical security, internet usage, and other relevant areas.
9. The Authority ensure that: (1) old and disabled user profiles are immediately removed by the system administrator and (2) user profiles are removed in a timely manner when employees resign or are terminated.

Guam International Airport Authority

Management Letter, continued

Finding Number 2005 – 14, continued **Information Technology**

Auditee Response:

1. The Chief Engineer has been informed of the situation. He has assigned an Engineer to work with the Data Processing to cutoff the water suppressant system as soon as possible. The recommendation for a gas-based fire suppressant system and hardware insurance has been forwarded to Management for their immediate attention.
2. The Data Processing Manager has been designated as the Security Officer on the AS400. As for backup data entry operators, other personnel within accounting and procurement departments will be trained and designated as backup data entry operators.
3. The Disaster Recovery Plan is in-progress of being updated. A test or drill will be performed after the AS400 upgrade (mid February). In addition, a recommended simulated disaster plan will be presented to Management. Upon approval of the Plan, a simulation will be performed with key personnel involved to observe the performance of the recovery process.
4. The password expiration date feature has been turned ON. All users are required to change their password effective immediately. After 30 days, the passwords will expire and users will be prompted to change their password again.
5. The User Access Authorization Form has been implemented effective immediately for any changes or request on the AS400 or on the network. All forms will require the user's immediate supervisor and division head's signature for the Data Processing Department to process the request.
6. A Program/Application Change Policy will be developed/created and presented to Management for approval. Upon approval the policy will be effective immediately.
7. Management will recommend to the Board to create a committee to oversee IT initiatives, fiscal year budget and concerns by the Data Processing Department.
8. The Security Policy will be updated immediately and will reflect the whole network such as: user responsibilities, physical securities, internet usages, information usage and other relevant areas.
9. All old accounts (no longer in use) and some disabled users have been removed from the system. However, some disabled users will remain. These are standby or backup and are turned-ON upon the Division Head's request.