

*Reports on Compliance and Internal Control*

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

(A Component Unit of the Government of Guam)

*Year Ended September 30, 2023*



Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Reports on Compliance and Internal Control

Year Ended September 30, 2023

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## Report of Independent Auditors 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, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated June 10, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.

## **The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

June 10, 2024

## Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Management and the Board of Directors  
Antonio B. Won Pat International Airport Authority, Guam

### **Report of Independent Auditors on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Antonio B. Won Pat International Airport Authority, Guam's (the Authority's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 10, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Ernst + Young LLP*

June 10, 2024



**Antonio B. Won Pat International Airport Authority, Guam**  
**(A Component Unit of the Government of Guam)**

**Schedule of Expenditures of Federal Awards**

Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	ALN	Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Direct Program:			
Drug Enforcement Administration - GIAA Task Force Program		16.U01	\$ 29,293
Passed through from Bureau of Statistics and Plans:			
Edward Byrne Memorial Justice Assistance Grant Program	2020-MU-BX-0044	16.738	<u>19,190</u>
Total U.S. Department of Justice			\$ <u>48,483</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Program:			
Airport Improvement Program		20.106	\$ 6,467,390
Passed through from Office of Highway Safety:			
National Highway Traffic Safety Administration Traffic Enforcement Project - State and Community Highway Safety	PT23-03-02APD	20.600	<u>22,335</u>
Total U.S. Department of Transportation			\$ <u>6,489,725</u>
U.S. DEPARTMENT OF THE TREASURY:			
Passed through from Government of Guam:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	CFR#200.331	21.027	\$ <u>1,053,102</u>
Total U.S. Department of the Treasury			\$ <u>1,053,102</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Direct Program:			
National Explosives Detection Canine Team Program		97.072	\$ 266,804
Law Enforcement Officer Reimbursement Agreement Program		97.090	<u>175,200</u>
Subtotal direct programs			442,004
Passed through from Guam Homeland Security and Office of Civil Defense:			
Federal Emergency Management Agency COVID-19 Emergency Protective Measures - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	PA-IX-GU-4495	97.036	\$ <u>505,539</u>
Total U.S. Department of Homeland Security			\$ <u>947,543</u>
Total Federal Awards Expended			\$ <u>8,538,853</u>

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

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

**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. The Authority receives federal awards directly from federal agencies.

**2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**3. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

*Indirect Cost Allocation*

The Authority has elected not to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414 of the Uniform Guidance. 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, 2023.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ **Yes**       X   **No**

Significant deficiency(ies) identified?

  X   **Yes**     \_\_\_\_\_ **None reported**

Noncompliance material to financial statements noted?

\_\_\_\_\_ **Yes**       X   **No**

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ **Yes**       X   **No**

Significant deficiency(ies) identified?

\_\_\_\_\_ **Yes**       X   **None reported**

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ **Yes**       X   **No**

Identification of major federal programs:

<u>Assistance Listing Numbers (ALNs)</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
97.072	National Explosives Detection Canine Team (NEDCT) Program

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Schedule of Findings and Questioned Costs, continued

**Section I - Summary of Auditor's Results, continued**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes  No

**Section II - Financial Statement Findings**

<u>Finding Numbers</u>	<u>Requirement</u>
2023-001	Typhoon Mawar Costs Capitalization

**Section III - Federal Award Findings and Questioned Costs**

No matters are reported.

Antonio B. Won Pat International Airport Authority, Guam  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2023-001**

Area: Capitalization of Typhoon Mawar Costs

Criteria:

In accordance with GASB Codification General Principles – 1400, *Reporting Capital Assets*, the cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use.

Condition:

The Authority recorded construction in progress during the year related to typhoon costs, such as damage repairs and assessments, amounting to approximately \$780k which are not related to any major restoration in order to increase the service capacity of its airport facilities. In addition, management assessed that there was no impairment of capital assets as a result of Typhoon Mawar. As such, repairs and maintenance costs should be expensed in the period incurred.

Cause:

There is no clear guidance on the proper assessment and accounting treatment of typhoon costs. In addition, there is an ongoing communication with the Engineering department who are more familiar with the nature of the costs incurred due to the typhoon.

Effect or potential effect:

Capital assets and expenses may be misstated in the financial statements.

Recommendation:

Management should establish a clear guidance on the assessment and proper accounting of transactions that are not considered normal and ordinary, such as typhoon costs, and should ensure that there is a regular communication among the Accounting team and other responsible departments.

Views of responsible officials:

The Authority will develop a policy for addressing the accounting of non-recurring transactions, such as typhoon costs, to ensure proper assessment and treatment of the costs in accordance with the proper accounting guidance. The Authority plans to develop this plan and inform Division Heads and appropriate administrative staff before the start of the next fiscal year.



## Corrective Action Plan Year Ended September 30, 2023

May 30, 2024

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Tamuning, Guam 96913

Included below is the Authority's Corrective Action Plan for findings included in the compliance and internal control report for the year ending September 30, 2023.

### **Finding No. 2023-001 Capitalization of Typhoon**

**Responsible Personnel:** Dafne Mansapit Shimizu, Comptroller

The Authority will develop a policy for addressing the accounting of non-recurring transactions, such as typhoon costs, to ensure proper assessment and treatment of the costs in accordance with the proper accounting guidance. The Authority plans to develop this plan and inform Division Heads and appropriate administrative staff before the start of the next fiscal year.

## Summary Schedule of Prior Audit Findings Year Ended September 30, 2023

### Financial Statement Findings

#### **Finding No. 2022-001**

**Requirement:** Implementation of GASB Statement No. 87, *Leases*

**Status:** Corrective action has been taken.

#### **Finding No. 2022-002**

**Requirement:** General Ledger and Financial Statement Close Process

**Status:** Corrective action has been taken.

### Federal Award Findings and Questioned Costs

#### **Finding No. 2022-003**

**Requirement:** Matching, Level of Effort, Earmarking

**Status:** Corrective action has been taken.

#### **Finding No. 2022-004**

**Requirements:** Period of Performance

**Status:** Corrective action has been taken.