



# Audit of Airport Passenger Facility Charges (PFC)

August 2017

A Report to the  
Jackson County  
Board of Commissioners

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**To:** Board of Commissioners  
**From:** Eric Spivak, County Auditor  
**Subject:** Passenger Facility Charges (PFC) Compliance Audit  
**Date:** August 22, 2017

The attached report provides information regarding the audit over passenger facility charges (PFC). The objectives of the audit were to determine if:

- The Airport maintained internal controls that reasonably ensured compliance with passenger facility charges (PFC) federal requirements; and
- The Airport complied with certain laws, regulations, and additional requirements issued by the Federal Aviation Administration (FAA) that may have a direct and material effect on the PFC program.

We found that the Airport maintained internal controls and complied with PFC requirements. The audit was included in the fiscal year 2017-18 Internal Audit Plan, and the work was performed in support of the County's annual external financial audit.

The Internal Audit Program appreciates the cooperation and assistance it received from Airport staff throughout the audit process.

**C:** Audit Committee  
Bern Case, Airport Director  
Moss Adams, LLP

## AIRPORT PASSENGER FACILITY CHARGES (PFC)

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**Audit Authority** We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. Our audit was included in the fiscal year 2017-18 Internal Audit Plan as part of the work performed annually in support of the County’s external audit.

**Audit Background** Title 49, US Code Section 40117, authorizes the Secretary of Transportation (further delegated to the Federal Aviation Administration (FAA) Administrator) to approve the local imposition of an airport passenger facility charge (PFC) of up to \$4.50 per enplaned passenger for use on certain airport projects. The revenue is collected by air carriers on behalf of an airport, and subsequently remitted to that airport. The FAA has granted the Jackson County Airport the authority to impose and use PFC revenue on approved projects. The Code of Federal Regulations Title 14: Aeronautics and Space, Part 158 – Passenger Facility Charges (PFC) §158.67 Recordkeeping and auditing, requires at least annually an audit of the Airport’s PFC.

In fiscal year 2016-17 the Airport received \$1,646,775 in passenger facility charges (PFC) revenue from air carriers, and earned \$11,952 in interest income. For the same period, the Airport used accumulated PFC revenue to meet match requirements for federal Airport Improvement Program grants, to pay debt service, and to pay for administrative costs.

**Audit Objectives** The objectives of the audit were to determine if:

- The Airport maintained internal controls that reasonably ensured compliance with passenger facility charges (PFC) federal requirements; and
- The Airport complied with certain laws, regulations, and additional requirements issued by the Federal Aviation Administration (FAA) that may have a direct and material effect on the PFC program.<sup>1</sup>

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<sup>1</sup> We do this audit in support of our external audit, as such some audit procedures as suggested by the FAA might be performed by our external auditors.

**Audit Scope & Methodology**

We reviewed the receipt and usage of the PFC for fiscal year 2016-17. We gained an understanding of controls that were within the context of our compliance audit objective and tested controls that were considered significant.

Our audit procedures included:

- Reviewing FAA *Passenger Facility Charge Audit Guide for Public Agencies* and applying appropriate audit procedures;
- Gaining an understanding of the Airport’s internal controls over passenger facility charges (PFC);
- Reviewing PFC applications pertaining to approved PFC projects; and
- Comparing revenue and expenditure amounts recorded in the County’s financial system to the amounts reported to the FAA.

**Audit Criteria**

Criteria for the audit of passenger facility charges (PFC) included PFC requirements listed in the Code of Federal Regulations Title 14 Aeronautics and Space, Part 158 – *Passenger Facility Charges*; Final Agency Approvals for PFC grant applications; and the Federal Aviation Administration’s *Passenger Facility Charge Audit Guide for Public Agencies*, revised September 2000. The audit guide focuses on the following six categories to be reviewed:

1. **Project Cost Allowability** – PFC revenue may be used only to finance the allowable costs of FAA approved projects.
2. **Eligibility Limitations** – Limitations can be placed on the usage of PFC revenue when it is used in conjunction with Airport Improvement Program federal monies.
3. **PFC Funds Used as Matching** – PFC can be used to meet matching requirements of the Airport Improvement Program and such usage should be reviewed in accordance with those requirements.
4. **Additional Program Requirements** – PFC revenue must be deposited in interest bearing accounts, the interest earned must be used like other PFC monies, and the interest must be recognized as PFC revenue. Separate accounting records must be

maintained for each approved PFC application and any excess PFC revenue must be used in accordance with FAA requirements.

5. **Special Notification and Reporting Requirements** – The Airport is required to notify the air carriers of PFC collection rates approved by the FAA and of any changes in the expiration date. The Airport must report PFC collection and usage quarterly to the air carriers and FAA. The Airport must also track air carrier remittances and reporting and then notify air carriers of their obligations when the remittances and reporting are not in accordance with FAA requirements.
6. **Compliance with PFC Assurances** – Leasing of Airport terminal facilities to air carriers and calculation of air carriers’ rates and charges.

***Corrective Action  
on Prior Year Audit  
Findings***

We did not have any audit recommendations in our fiscal year 2015-16 Airport Passenger Facility Charges (PFC) audit report.

***Compliance with  
Government  
Auditing  
Standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

***Confidential or  
Sensitive  
Information***

We did not withhold any information from this report because it was considered confidential or sensitive.

***Audit Results***

***Adequacy of Internal Controls***

The Airport maintained internal controls that reasonably ensured compliance with passenger facility charges (PFC) federal requirements.

***Compliance with Federal Aviation Administration Requirements***

The Airport complied with the laws, regulations, and additional requirements issued by the Federal Aviation Administration (FAA) that may have a direct and material effect on the PFC program.

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