



JACKSON COUNTY

Oregon

Internal Audit Report

Audit of Airport Passenger Facility Charges (PFC)

FY 2013-14

October 7, 2014

**Presented To The
Jackson County Board of Commissioners
By The
Internal Audit Program**

Audit Team

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Internal Audit

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To: Board of Commissioners
From: Eric Spivak, County Auditor *ES*
Subject: Passenger Facility Charges (PFC) Compliance Audit
Date: October 7, 2014

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 laws, regulations, and applicable PFC Final Agency Decisions 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 2014-15 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 and Finance staff throughout the audit process.

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

AIRPORT PASSENGER FACILITY CHARGES

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 2014-15 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 the airport. The FAA has granted the 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 2013-14 the Airport received \$1,225,790 in passenger facility charges (PFC) revenue from air carriers. For the same period, the Airport spent \$1,326,171 of accumulated PFC revenue on approved projects.

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 certain¹ laws, regulations, and additional requirements issued by the Federal Aviation Administration (FAA) that may have a direct and material effect on the PFC program.

Audit Scope & Methodology

We reviewed the receipt and usage of the PFC for fiscal year 2013-14. 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.

¹ We do this audit in support of our external audit, as such some audit procedures as suggested by the FAA are performed by our external auditors.

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 on the usage of PFC revenue could be placed when used in conjunction with Airport Improvement Program federal monies.
3. **PFC Funds Used as Matching** – PFC funds can be used to meet matching requirements of the Airport Improvement Program, and should be reviewed in accordance with those requirements.
4. **Additional Program Requirements** – PFC revenue must be deposited in interest bearing accounts, interest earned is used like other PFC monies, interest is recognized as PFC revenue, separate accounting records are maintained for each approved PFC application, and any excess PFC revenue is used in accordance with FAA requirements.
5. **Special Notification and Reporting Requirements** – The airport is required to notify the air carriers of PFC collection approved by the FAA and any changes in the expiration date, report PFC collection and usage quarterly to the air carriers and FAA, and track air carrier remittances and reporting and 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 FY 2012-13 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.

Sensitive or Confidential Information

No information was withheld from this report because it was considered sensitive or confidential in nature.

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.