



U.S. Department
of Transportation

**Federal Aviation
Administration**

Memorandum

Subject: PFC Update, PFC-36-02

Date: November 2, 2001

From: Manager, Airports Financial
Assistance Division, APP-500

Reply to
Attn. of:

To: All Regional Airports Division Managers
and AMA-620
Attention: PFC Contacts

PFC-36-02. Oversight of Public Agency PFC Annual Audits. This purpose of this PFC update letter is to clarify previous guidance (PFC-33-01) on FAA oversight of public agency PFC annual audits (conducted under 14 CFR Part 158.67(c)). This clarification is intended to accommodate concerns expressed by regional personnel about their potential workloads associated with requesting and reviewing the PFC annual audits. Every effort has been made to minimize FAA Airports office workloads associated with this oversight while still retaining a regional role in PFC program oversight and fulfilling our statutory oversight responsibilities.

The requirement for the Administrator to review the PFC annual audits comes from 49 U.S.C. 40117(h)(2), which states that "The Secretary periodically shall audit and review the use by an eligible public agency of passenger facility revenue." FAA review of the PFC annual audits is the most cost-effective means to comply with this requirement. The Airport Compliance Division (AAS-400) does not review PFC annual audits because PFC revenues are not considered Federal funds. Part 158.67(c)(3) gives the Administrator the authority to request a copy of the PFC annual audit from the airport public agency.

The responsibilities of the FAA Airports offices (the FAA regional, district, or field office that administers Federal airport-related matters) with regard to PFC annual audits are limited to requesting a copy of the audit from their public agencies and conducting a

review of the audit's summary report to determine if the auditor has reported any material weakness in PFC compliance. These responsibilities entail the following steps:

- A one-time communication from the FAA Airports office to the public agency to request the PFC annual audit is sufficient. This communication could specify that the public agency thereafter provide its PFC audit to the specified FAA Airports office on an annual basis (such as in conjunction with its issuance of its single audit). Each FAA region has full discretion to select the best way to request the PFC annual audits from its airport public agencies. Thus, the request may be made by newsletter, e-mail, correspondence, as part of another communication with the public agency, or any other method found least burdensome to the FAA Airports offices.
- In the event that an airport public agency does not respond to a request for an audit, the FAA Airports office may, at its discretion, send a follow-up request or simply notify APP-530 (e-mail is sufficient) that an audit was not submitted. In the latter instance, APP-530 will pursue the request.
- Once the PFC annual audit is received, each FAA Airports office need only review the "Report on Compliance" (typically two pages in length) made by the auditor concerning the public agency's compliance with PFC requirements, the adequacy of its internal controls over compliance, and whether its schedule of expenditures of PFC's is fairly stated. This two page summary report will either be in a standalone PFC document or will be identified as a separate PFC section in the Single Audit issued for the public agency. Similarly, the one or two page "Schedule of Findings and Questioned Costs" in the audit document will summarize these findings.
- With regard to compliance, a clean PFC audit on compliance will be indicated by a statement in the Report on Compliance to the effect of "In our opinion, [the public agency] complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended [date]." With regard to internal controls, a clean ("unqualified") audit will be indicated by a statement to the effect that "We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses." A clean audit of the schedule of expenditures will be indicated by a statement that it is "fairly stated." These results should be cross-checked with the Schedule of Findings and Questioned Costs. If no material weaknesses are identified, no further work is required from the FAA Airports office in the form of completing a checklist, report, or any other action. APP-530 will assume that there are no problems if the FAA Airports office does not send it a notice of problems. A copy of each audit should be kept by the FAA Airports office at least until the next audit is received from the public agency.

- If the auditor identifies a material weakness regarding the PFC program, the FAA Airports office may, at its discretion, investigate the audit further by using the attached checklist (or a comparable methodology in practice at that FAA Airports office prior to the issuance of PFC-33-01) or simply send the problem audit to APP-530 by interoffice mail with a notification that the audit is being forwarded for APP-530 review of weaknesses cited by the auditor. There is no requirement that the FAA Airports office further analyze the auditor's report before forwarding it to APP-530. APP-530 will send back an e-mail to the FAA Airports office indicating that it received the problem audit and that it will assume responsibility for the audit. APP-530 will pursue all further investigation of the audit and will advise the FAA Airports office of its resolution of any problems.
- If the FAA Airports office chooses to investigate a PFC annual audit on its own, APP-530 should be informed about any weaknesses and the outcome of the investigation (notification by e-mail is adequate).

Once airport public agencies are advised that they should submit their PFC audits to the FAA Airports office annually, the principal workload for the FAA Airports office will be to confirm that all audits have been received each year and to review the summary conclusions made by the auditor (as described above).

Finally, if the above arrangements should prove too burdensome to FAA Airports offices, APP-530 will work with the FAA Airports office and the national NATCA representative for airports (as well as other exclusive bargaining agents for airport employees affected by this PFC update) to implement alternative procedures compatible with regional capabilities and resources.

Original signed by

Eric C. Gabler

Attachment