

[4910-13-M]

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

**Passenger Facility Charge Audit Guide for Public Agencies - Procedures
for Examining Public Agency Passenger Facility Charge Revenue**

AGENCY: Federal Aviation Administration, Department of Transportation.

ACTION: Notice of Availability.

SUMMARY: The Federal Aviation Administration (FAA) is issuing guidance for conducting annual audits of public agency Passenger Facility Charge (PFC) revenue. Beginning in the year that PFC revenues are first collected by air carriers on behalf of a public agency, such public agencies approved for PFC collection are required to provide an annual independent audit of PFC revenue. Use of the guidance is voluntary and is not the sole means of complying with the audit requirements. However, the FAA will have greater confidence in audits conducted in accordance with the guide.

Interested parties may access the Passenger Facility Charge Audit Guide for Public Agencies through the Internet at <http://www.faa.gov/arp/530home.htm>. Alternatively, the guide may be obtained by contacting the individual listed below under the heading **FOR FURTHER INFORMATION CONTACT**.

DATES: Guidance effective November 20, 2000.

FOR FURTHER INFORMATION CONTACT: Joseph Hebert, Program Analyst, Passenger Facility Charge Branch, Airports Financial Assistance Division (APP-530), Federal Aviation Administration, 800 Independence Avenue, S.W., Washington, DC 20591, (202) 267-3845.

SUPPLEMENTARY INFORMATION: Title 49 of the United States Code (U.S.C.), section 40117, authorizes the Secretary of Transportation (further

delegated to the FAA Administrator) to approve the local imposition of a PFC of \$1, \$2, \$3, \$4, or \$4.50 per enplaned passenger for use on certain airport projects. Legislation effecting PFC charge levels and criteria for approvals, enacted shortly before the issuance of this notice, provides for the PFC level to increase to \$4 or \$4.50. The increased PFC level is contingent on a public agency demonstrating that it meets certain additional approval criteria. Certain of these criteria apply only to medium and large hub airports. On May 29, 1991, the FAA issued 14 Code of Federal Regulations (CFR) Part 158 outlining policies and procedures for the PFC program. On May 30, 2000, the FAA issued a final rule to amend Part 158 to allow, among other things, an increase in the PFC level to \$4 or \$4.50. The final rule also included additional criteria for the approval of the higher PFC levels.

Under Part 158, public agencies controlling commercial service airports can apply to the FAA for authority to impose and/or use a PFC to finance approved, eligible airport-related projects. Section 158.3 defines a public agency to be a state or any agency of one or more states; a municipality or other political subdivision of a state; an authority created by Federal, state, or local law; a tax-supported organization; or an Indian tribe or pueblo that controls a commercial service airport. A private entity controlling an airport participating in the Pilot Program for Private Ownership of Airports (49 U.S.C. 47134) may also apply to impose a PFC.

The FAA must issue a final decision approving or disapproving a PFC application, in whole or in part, no later than 120 days after the application is received by the FAA from the public agency (section 158.27(c)(4)). Following the FAA's full or partial approval of an application to impose a PFC, the public agency must notify air carriers and foreign air carriers required to collect PFC's at its airport(s) of the FAA's approval. The charge effective date of the PFC collection is the first day of a month which is at least 60 days from the date the public agency notifies the carriers of approval to impose the PFC. Air carriers collecting PFC's are required by section 158.51 to remit the revenue collected to the appropriate public agency on a monthly basis. PFC revenue collected by the carrier shall be remitted to the public agency no later than the last day of the

calendar month following the month in which the PFC was collected (or if that date falls on a weekend or holiday, the first business day thereafter).

Beginning in the year that PFC revenues are first collected by air carriers on behalf of a public agency, such public agencies approved for PFC collection are required by section 158.67(c) to provide for an annual independent audit of PFC revenue. Auditors engaged to audit PFC programs are required to "express an opinion of the fairness and reasonableness of the public agency's procedures for receiving, holding, and using PFC revenue." In addition, auditors must report whether the quarterly reports filed by the public agencies under section 158.63(a) "fairly represent the net transactions within the PFC account."

The PFC audit can be performed separately and specifically for the PFC program or as part of an audit conducted under the Single Audit Act (as amended). This latter option allows the examination of PFC revenues during the performance of a Single Audit Act audit, although PFC revenues are not considered to be Federal financial assistance as defined by OMB Circular A-133 and the requirements of the A-133 Compliance Supplement do not apply to the PFC program. Due to inconsistencies between the PFC program and the requirements of A-133, PFC revenues should be reported on a separate schedule and findings and questioned costs relating to PFC's should be called out separately. Only in the case where a project is jointly funded with Federal funds and PFC revenues would the requirements of A-133 also apply to an audit of PFC revenues.

To facilitate the conduct of audits that meet the requirements of the statute and regulation, the FAA has prepared the "Passenger Facility Charge Audit Guide for Public Agencies." The procedures contained in the guide for testing and reporting on PFC's received, held, and used during the year are intended to assist the auditor in meeting audit requirements. This guide is not intended to supplant the auditor's judgment of procedures to be performed. The auditor should use professional judgment to tailor the procedures so that the audit objectives are achieved. However, the auditor must address all applicable compliance requirements.

The guidance describes the receipt, holding, use, and reporting requirements of Part 158. The suggested format is similar to that used in the FAA Airport Improvement Program supplement to OMB Circular A-133 and should appear familiar to auditors. The use of this guide by auditors on behalf of the public agencies will provide the FAA, air carriers, and the public with an acceptable level of assurance that the public agency has followed regulatory procedures or, through the audit process, noted weaknesses in its policies and procedures, and has or will take corrective action to improve its process.

Although the guide is not intended to define the sole method of complying with the audit requirements of section 158.67(c), the FAA has determined that the use of the procedures in this audit guide by the auditors for a public agency will provide sufficient assurance that the public agency has met the requirements of Part 158 such that the FAA would not normally require additional reports, undertake an audit of the public agency, or request Department of Transportation, Office of the Inspector General (DOT OIG), intervention on the FAA's behalf. This guidance shall not, however, foreclose other FAA options for responding to and enforcing correct holding and use procedures. The FAA expects public agencies to attain a reasonable level of accuracy with regard to PFC remittances.

Issued in Washington, DC on October 11, 2000 .

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