

North Dakota Office of the State Auditor
Division of Local Government

Williston-Sloulin Field International Airport

Passenger Facility Charge Compliance Report
for the Year Ended December 31, 2018
Client Code PS53100



North Dakota State Auditor
Joshua C. Gallion

WILLISTON-SLOULIN FIELD INTERNATIONAL AIRPORT

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For the Year Ended December 31, 2018

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO PASSENGER FACILITY CHARGES AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH PASSENGER FACILITY CHARGE GUIDE FOR PUBLIC AGENCIES

Independent Auditor's Report

To the Honorable Mayor and Members of the City Commission
Williston-Sloulin Field International Airport
Williston, North Dakota

Report on Compliance for Passenger Facility Charges Program

We have audited the compliance of the Williston-Sloulin Field International Airport, City of Williston, North Dakota, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") for its passenger facility charge program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Airport's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the program. However, our audit does not provide a legal determination of the Airport's compliance with those requirements.

Opinion on Passenger Facility Charges Program

In our opinion, the Williston-Sloulin Field International Airport, City of Williston, North Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect to the passenger facility charge program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Williston-Sloulin Field International Airport, City of Williston, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility

WILLISTON-SLOULIN FIELD INTERNATIONAL AIRPORT

Report on Compliance with Requirements Applicable to Passenger Facility Charges and Internal Control Over Compliance in Accordance with Passenger Facility Charge Guide for Public Agencies - Continued

charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

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 the passenger facility program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the passenger facility 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

Williston-Sloulin Field International Airport, City of Williston, North Dakota's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Williston-Sloulin Field International Airport, City of Williston, North Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide"). Accordingly, this report is not suitable for any other purpose

Report on Schedule of Passenger Facility Charge Revenue and Expenditures

We have audited the basic financial statements of the City of Williston, North Dakota as of and for the year ended December 31, 2018 and have issued our report thereon dated September 30, 2019, which contained a qualified opinion on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information and an unmodified opinion on the General, Sales Tax, Capital Project and Debt Service Funds. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of passenger facility charges and related expenditures is presented for purposes of additional analysis, as specified in the Guide, 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 passenger facility charges and related expenditures is in relation to the basic financial statements as a whole.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 25, 2019

WILLISTON-SLOULIN FIELD INTERNATIONAL AIRPORT

Schedule of Passenger Facility Charges and Related Expenditures

For the Year Ended and Each Quarter from January 1 Through December 31, 2018

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Passenger Facility Charges	\$ 69,022	\$ 78,957	\$ 86,397	\$ 89,503	\$ 323,879
Interest Earnings	161	451	18	183	813
Disbursements	-	-	-	272,301	272,301

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Notes to the Schedule of Passenger Facility Charges and Related Expenditures
For the Year Ended and Each Quarter from January 1 Through December 31, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of passenger facility charges and related expenditures is presented on the cash basis of accounting.

WILLISTON-SLOULIN FIELD INTERNATIONAL AIRPORT

Summary of Auditor's Results - Passenger Facility Charge Program
For the Year Ended December 31, 2018

INTERNAL CONTROL OVER PASSENGER FACILITY CHARGE PROGRAM

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Type of auditor's report issued on compliance for passenger facility charge program	Unmodified	
Any audit findings disclosed that are required to be reported?	<u> X </u> Yes	<u> </u> None noted

WILLISTON-SLOULIN FIELD INTERNATIONAL AIRPORT

Schedule of Audit Findings - Passenger Facility Charge Program
For the Year Ended December 31, 2018

2018-001 REPORT SUBMISSION CONTROLS

Condition

The FAA Reporting System for the Passenger Facility Charge (PFC) total revenue collected does not reconcile with the City of Williston's general ledger activity by the amount of \$74,995.

Criteria

Section 158.67(b) requires a separate accounting record for each PFC application for which the collection and/or use of PFC revenue is approved must be established and maintained by the public agency. The accounting record shall identify PFC revenue received from the collecting carriers, interest earned on such revenue, the amounts used on each project, and amounts reserved for approved projects. While separate accounting records are required, separate PFC accounts are not necessary, but are not prohibited.

Questioned Costs

None.

Cause

The City does not have the proper internal controls in place to ensure the FAA PFC reporting is complete, accurate, and reconciles with its records. Only one employee is responsible for ensuring accurate information is submitted to the FAA.

Effect

The City of Williston's PFC report activity that is submitted to the FAA is inaccurate compared to what activity the City has recorded. Further, the City is not in compliance with FAA PFC § 158.67.

Repeat Finding

Yes.

Recommendation

We recommend the City of Williston review the FAA PFC submissions to ensure the reporting is complete, accurate, and free from errors. We further recommend the City implement internal controls over FAA reporting to ensure accurate information is remitted to the FAA.

Views of Responsible Officials and Corrective Actions

City will work with and set up FAA PFC submissions controls that will prevent and be free of errors in future. The \$74,995 variance, between 2017 and 2018 reports, is in the totals at the top of the report. The employee responsible for input has no ability to change the amounts. The detail, at the bottom of the report, is consistent and matches the information contained in the general ledger.

2018-002 AIR CARRIER QUARTERLY REPORTS

Condition

The City of Williston does not have adequate internal controls in place to ensure Passenger Facility Charge (PFC) quarterly reports from air carriers are accurate and submitted on time.

Criteria

FAA Passenger Facility Charge §158.65 in summary states each air carrier collecting PFC revenues for a public agency is required to file quarterly reports to the public agency (unless another reporting period is mutually agreed to by the air carrier and public agency). These reports shall state the collecting air carrier and airport involved, the total PFC revenue collected, the total amount of PFC revenue refunded to passengers, and the amount of collection withheld by the collecting carrier for reimbursement of expenses. The report shall include dates and amounts of each remittance for the quarter. The report shall be filed on or before the last day of the calendar month following the end of the calendar quarter or other agreed period.

Questioned Costs

None.

Cause

The City of Williston collects quarterly reports that come in the mail, but there are no formal policies and procedures in place to ensure all reports are received.

Effect

A lack of policies and procedures surrounding the collection of PFC quarterly reporting may result in material errors and non-compliance with FAA Passenger Facility Charge §158.65.

Repeat Finding

No.

Recommendation

We recommend the City of Williston implement internal controls to ensure reports received from all air carriers that collect PFC revenue are accurate and within applicable deadlines.

Views of Responsible Officials and Corrective Actions

City will set up a system that tracks when reports are received and if not received a follow up request is made to them. The State Auditor was advised that the City had received most, but not all, of the reports provided by carrier collecting the PFC (i.e. \$323k revenue collected - \$313k reports received). The monies received on an after the fact basis so a quarterly report could be obtained.

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Schedule of Prior Year Audit Findings - Passenger Facility Charge Program
For the Year Ended December 31, 2018

2017-001

Condition

Amounts reported to the FAA do not agree with amounts recorded on the general ledger.

Criteria

The City is required to submit revenues, disbursements and account balances to the FAA as part of the Passenger Facility Charges program.

Questioned Costs

None.

Cause

The City does not have adequate controls in place for the review of amounts being submitted to the FAA.

Effect

This could result in inaccurate information being reported to the FAA and could result in noncompliance related to the reporting requirements.

Recommendation

We recommend the City implement a review process to ensure amounts submitted to the FAA are accurate.

Views of Responsible Officials and Corrective Actions

During 2017, the City made the correction for the finding on 2015 disbursements; however, the correction should have also included the finding on 2016 disbursements. The City plans to correct this during 2018.

Contact Person for Corrective Action - John Kautzman, City Auditor

Corrective Action Taken - See finding at 2018-001

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Corrective Action Plan - Passenger Facility Charge Program
For the Year Ended December 31, 2018

2018-001 REPORT SUBMISSION CONTROLS

Contact Person Responsible for Corrective Action Plan - John Kautzman, City Auditor

Corrective Action Plan - City Audit and Airport staff will implement procedures to ensure that PFC submission are free of errors.

Anticipated Completion Date - 9/30/19

2018-002 AIR CARRIER QUARTERLY REPORTS

Contact Person Responsible for Corrective Action Plan - John Kautzman, City Auditor

Corrective Action Plan - City Audit and Airport staff will work toward obtaining reports from FAA PFC submissions on the FAA - Airports External Portal not received directly from carrier.

Anticipated Completion Date - 12/31/19

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Phone: (701) 328-2241

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