

COMMONWEALTH PORTS AUTHORITY

REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE
PASSENGER FACILITY CHARGE PROGRAM

YEAR ENDED SEPTEMBER 30, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

Board of Directors
Commonwealth Ports Authority:

Report on Compliance for the Passenger Facility Charge Program

We have audited Commonwealth Ports Authority's (CPA) compliance 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) that could have a direct and material effect on CPA's passenger facility charge (PFC) program for the year ended September 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for CPA's PFC program 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 PFC program occurred. An audit includes examining, on a test basis, evidence about CPA'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 qualified opinion on compliance for the PFC program. However, our audit does not provide a legal determination of CPA's compliance.

Basis for Qualified Opinion on the PFC Program

As described in items 2020-001 through 2020-004 in the accompanying Schedule of Findings and Questioned Costs (pages 6 through 10), CPA did not comply with requirements regarding project cost allowability, special notification and reporting and additional program requirements. Compliance with such requirements is necessary, in our opinion, for CPA to comply with the requirements applicable to that program.

Qualified Opinion on the PFC Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its PFC program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of CPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPA's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 PFC 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 reasonable possibility that material noncompliance with a type of compliance requirement of the PFC program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 through 2020-004 to be material weaknesses.

CPA's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. CPA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges Collected and Expended

We have audited the financial statements of CPA as of and for the year ended September 30, 2020, and have issued our report thereon dated January 13, 2022, which was qualified due to our inability to determine the effects of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* on CPA's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Passenger Facility Charges Collected and Expended (page 4) is presented for purposes of additional analysis as required by the Guide and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Collected and Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLC

January 13, 2022

COMMONWEALTH PORTS AUTHORITY

Schedule of Passenger Facility Charges Collected and Expended
Each Quarter and Year Ended September 30, 2020

	Date Originally Approved	Amount Approved	Beginning Cumulative Total (As Restated See Note 4)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	Ending Cumulative Total
Receipts		\$ -	\$ 32,226,234	\$ 789,393	\$ 579,838	\$ 131,665	\$ 68,410	\$ 1,569,306	\$ 33,795,540
Project expenditures:									
Electrical upgrade/generator	10/15/04	5,002,451	4,983,235	-	-	-	-	-	4,983,235
Conversion of restaurant to holding room	10/15/04	639,388	569,422	-	-	-	-	-	569,422
Sewerline connection	10/15/04	5,160,701	2,538,774	-	-	-	-	-	2,538,774
Enclosure and air cond of corridor	10/15/04	1,778,650	664,510	-	-	-	-	-	664,510
Environmental assessment/hardstand	10/15/04	4,360	4,360	-	-	-	-	-	4,360
Storm drainage master plan study	10/15/04	7,473	28,092	-	-	-	-	-	28,092
Parallel taxiway	10/15/04	244,379	388,940	-	-	-	-	-	388,940
Aircraft waste disposal	10/15/04	816,637	305,099	-	-	-	-	-	305,099
Perimeter fencing	10/15/04	408,580	152,647	-	-	-	-	-	152,647
Environmental assessment	10/15/04	66,916	34,811	-	-	-	-	-	34,811
Runway 7/25 rehabilitation phase I & II	10/15/04	1,731,800	3,973,907	14,908	-	-	-	14,908	3,988,815
ARFF training facility (burn pit)	10/15/04	497,417	497,417	-	-	-	-	-	497,417
Airport security enhancement	10/15/04	887,828	1,141,434	-	-	-	-	-	1,141,434
ARFF training facility (classroom)	10/15/04	81,156	197,788	-	-	-	-	-	197,788
Airport terminal roof replacement	10/15/04	300,500	300,500	-	-	-	-	-	300,500
Airport runway safety area improvement	10/15/04	352,926	352,926	-	-	-	-	-	352,926
PFC implementation and administration	10/15/04	81,200	81,200	-	-	-	-	-	81,200
Apron expansion	10/15/04	1,346,901	503,207	-	-	-	-	-	503,207
Air conditioning arrival area	10/15/04	2,547,285	1,063,670	-	-	-	-	-	1,063,670
Runway/taxiway/apron	10/15/04	2,591,500	6,193,163	-	-	-	-	-	6,193,163
Rota airport visual guidance system	10/15/04	1,265,881	9,447	-	-	-	-	-	9,447
Rota runway environmental	10/15/04	5,446	46,938	-	-	-	-	-	46,938
Tinian runway improv. project	10/15/04	1,107,684	2,214,933	-	-	-	-	-	2,214,933
Tinian ARFF truck	10/15/04	65,917	65,917	-	-	-	-	-	65,917
Total PFC Application #1		26,992,976	26,312,337	14,908	-	-	-	14,908	26,327,245
Design & Construct Terminal Building Improvem	06/22/18	257,099	485,984	-	-	-	-	-	485,984
Design and Construct ARFF Training Facility Impr	06/22/18	1,405,319	1,358,587	-	-	-	-	-	1,358,587
Design Taxiways B & H Rehabilitation -GSN	06/22/18	19,444	19,444	-	-	-	-	-	19,444
Rehabilitate Taxiways B & H- GSN	06/22/18	455,002	375,298	-	-	-	-	-	375,298
Rehabilitate Apron/Taxilane-GSN	06/22/18	300,650	510,789	-	-	-	-	-	510,789
Design ARFF Building Expansion-GSN	06/22/18	22,550	-	-	-	-	-	-	-
Acquire Replacement Passenger Loading Bridges	06/22/18	9,568	119,825	-	-	-	-	-	119,825
Acquire ARFF Vehicle (C-9)-GSN	06/22/18	50,752	49,789	-	-	-	-	-	49,789
Acquire Rapid Intervention Vehicle (RIV)-GSN	06/22/18	22,498	22,498	-	-	-	-	-	22,498
Acquire Replacement ARFF Vehicle (C-7) - GSN	06/22/18	78,935	80,456	-	-	-	-	-	80,456
Acquire Replacement ARFF Vehicle (C-5)- GSN	06/22/18	68,778	68,780	-	-	-	-	-	68,780
Acquire Emergency Generator - GSN	06/22/18	10,726	87,003	-	-	-	-	-	87,003
Acquire Runway Sweeper - GSN	06/22/18	37,871	37,871	-	-	-	-	-	37,871
Acquire Replacement Rotating Beacon -GSN	06/22/18	222,423	222,423	-	-	-	-	-	222,423
PFC Administration	06/22/18	115,094	115,094	-	-	-	-	-	115,094
Design ARFF Building Reconstruction - GRO	06/22/18	11,111	11,111	-	-	-	-	-	11,111
Construct ARFF Building Reconstruction - GRO	06/22/18	269,341	389,534	-	-	-	-	-	389,534
Update GRO Master Plan Study	06/22/18	36,290	-	-	-	-	-	-	-
Removal & Replacement of Runway 09 Markings	06/22/18	272,178	-	27,843	40,402	6,327	-	74,572	74,572
Acquire Runway Sweeper - GRO	06/22/18	44,659	45,471	-	-	-	-	-	45,471
Acquire Replacement ARFF Vehicle (C-11) - GRO	06/22/18	69,694	69,693	-	-	-	-	-	69,693
Design ARFF Building Reconstruction	06/22/18	43,372	-	-	-	-	-	-	-
Construct ARFF Building-Rapid Refill Station	06/22/18	216,884	227,809	21,678	2,566	-	402	24,646	252,455
Update TNI Master Plan Study	06/22/18	39,775	38,030	2,305	-	-	-	2,305	40,335
Acquire Runway Sweeper	06/22/18	44,659	45,471	-	-	-	-	-	45,471
Acquire Replacement ARFF Vehicle (C-10)	06/22/18	69,422	69,422	-	-	-	-	-	69,422
Total PFC Application #2		4,194,094	4,450,382	51,826	42,968	6,327	402	101,523	4,551,905
Total expenditures		31,187,070	30,762,719	66,734	42,968	6,327	402	116,431	30,879,150
Interest and investment income		-	95,179	3,911	3,953	3,632	2,623	14,119	109,298
Balance at September 30, 2020									\$ 3,025,688

See accompanying notes to schedule of passenger facility charges collected and expended.

COMMONWEALTH PORTS AUTHORITY

Notes to Schedule of Passenger Facility Charges Collected and Expended Year Ended September 30, 2020

(1) Schedule of Passenger Facility Charges Collected and Expended

On October 15, 2004, the Federal Aviation Administration (FAA) approved the Commonwealth Ports Authority's (CPA) application to impose and collect passenger facility charges (PFC) of \$4.50 per passenger at the Francisco C. Ada Saipan International Airport (GSN), Rota International Airport (GRO) and Tinian International Airport (TNI) for use either immediately or in the future for specifically approved airport improvement projects. The FAA approved total PFC collections of \$33,442,548 representing thirty-one projects and the use of PFC collections totaling \$33,012,548 on thirty projects consisting of twenty-three, five and two at GSN, GRO and TNI, respectively. The FAA authorized the imposition of PFC totaling \$430,000 for one project at GRO and required CPA to submit an application to use these collections no later than three years after the charge effective date. Effective January 1, 2005, the PFC was implemented. On June 4, 2015, the FAA approved to change the PFC collection expiration date from August 1, 2016 to June 1, 2021 for all airports.

On January 13, 2010, the FAA approved CPA's first amendment application to delete the impose only project totaling \$387,000, \$21,500 and \$21,500 at the GSN, GRO and TNI airports, respectively. On December 16, 2010, the FAA approved a second amendment increasing the impose and use authority for one project by \$39,600, \$2,200 and \$2,200 at the GSN, GRO and TNI airports, respectively.

On June 22, 2018, the FAA approved the imposition and use of PFC on twenty-six projects at all three airports (fifteen at GSN, six at GRO and five at TNI), which comprise of capital assets completed in prior years and future planned projects. The total approved PFC revenue for impose and use is \$4,194,094. The earliest charge effective date is June 1, 2021.

On June 5, 2019, the FAA approved an amendment increasing the impose and use authority for three projects totaling \$417,572 and \$60,695 at the GSN and GRO airports, respectively, and decreasing the impose and use authority of thirteen projects totaling \$6,488,583 and \$53,256 at the GSN and TNI airports, respectively. Further, the charge expiration date is revised from June 1, 2021 to December 1, 2018. As a result, PFC application #2's earliest charge effective date is revised from June 1, 2021 to December 1, 2018. At September 30, 2020, the total approved PFC collections amount to \$31,187,070.

(2) Basis of Presentation

The Schedule of Passenger Facility Charges Collected and Expended includes the PFC program activity of CPA and is prepared using the cash basis of accounting. Receipts and income are recorded when cash is received and expenditures are recorded when cash is disbursed.

(3) Runway 7/25 Rehabilitation Phase I and II

Total expenditures recorded for Runway 7/25 Rehabilitation Phase I and II include costs recorded for Phases I through VII. Project costs for Phases I and II could not be determined.

(4) Restatement

Subsequent to the issuance of CPA's 2019 PFC program financial statements, CPA management determined that beginning cumulative expenditures of the PFC program were understated by \$4,450,382 due to the approval of the second PFC application. Accordingly, the account balance has been restated from the amount previously reported.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Finding No.: 2020-001
Area: Project Cost Allowability
Questioned Costs: \$14,908

Criteria: The use of PFC revenue is limited to the allowable cost of approved projects. As stated in Section 158.13 of 14 CFR Part 158, PFC revenue, including any interest earned after such revenue has been remitted to a public agency, may be used only to finance the allowable costs of approved projects at any airport the public agency controls.

Further, in accordance with Section 158.33 of 14 CFR Part 158:

- (a) A public agency shall not impose a PFC beyond the lesser of the following:
- (1) 2 years after approval to use PFC revenue on an approved project if the project has not been implemented, or
 - (2) 5 years after the charge effective date; or
 - (3) 5 years after the FAA's decision on the application (if the charge effective date is more than 60 days after the decision date) if an approved project is not implemented.
- (b) If, in the Administrator's judgment, the public agency has not made sufficient progress toward implementation of an approved project within the times specified in paragraph (a) of this section, the Administrator begins termination proceedings under subpart E of this part.

Condition: Tests of PFC project expenditures noted that CPA does not monitor the amount of PFC authority applied for each capital asset and we are not able to determine the amount of funding from PFCs and locally generated revenues for each affected project.

Actual costs for the following projects are less than the total PFC authority:

Project	Acquisition Date	Fixed Asset No.	PFC Authority	Project Cost CPA Share	Difference
PFC APPLICATION #1					
Electrical Upgrade/Generator	10/01/97	495	\$ 5,002,451	\$ 4,983,235	\$ 19,216
Conversion of Restaurant to Holding Room	10/01/99	499	\$ 639,388	\$ 569,422	\$ 69,966
Sewerline Connection	09/01/07	807	\$ 5,160,701	\$ 2,538,774	\$ 2,621,927
Enclosure and Air Cond of Corridor	09/30/02	588	\$ 1,778,650	\$ 664,510	\$ 1,114,140
Aircraft Waste Disposal	10/01/04	659	\$ 816,637	\$ 305,099	\$ 511,538
Perimeter Fencing	10/01/05	686	\$ 408,580	\$ 152,647	\$ 255,933
Environmental Assessment	10/01/03	633	\$ 66,916	\$ 34,811	\$ 32,105
Apron Expansion	10/01/99	500,513	\$ 1,346,901	\$ 503,207	\$ 843,694
Air conditioning Arrival Area	09/30/02	590,625	\$ 2,547,285	\$ 1,063,670	\$ 1,483,615
Rota Airport Visual Guidance System	10/01/05	692	\$ 1,265,881	\$ 9,447	\$ 1,256,434
PFC APPLICATION #2					
Design and Construct ARFF Training Facility Improvements - GSN	12/01/18	1378	\$ 1,405,319	\$ 1,358,587	\$ 46,732
Design Taxiways B & H Rehabilitation -GSN			\$ 19,444		
Rehabilitate Taxiways B & H- GSN			<u>455,002</u>		
Total	01/01/19	1380	\$ 474,446	\$ 394,742	\$ 79,704
Acquire ARFF Vehicle (C-9) - GSN	10/01/17	843, 844	\$ 50,752	\$ 49,789	\$ 963
Design ARFF Building Reconstruction			\$ 43,372		
Construct ARFF Building-Rapid Refill Station			<u>216,884</u>		
Total	04/01/20	1419	\$ 260,256	\$ 252,455	\$ 7,801

In addition, total PFC receipts of \$33,904,838 as of year-end, of which \$109,298 pertains to interest income, exceeded total approved project costs of \$31,187,070 by \$2,717,768.

Cause: The cause of the above condition is the lack of monitoring project costs.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001, Continued
Area: Project Cost Allowability
Questioned Costs: \$14,908

Effect: The effect of the above condition is unallowable expenditures. Total questioned costs of \$14,908 exist as they represent costs incurred in the current year. Excess expenditures have been questioned in PFC audits for fiscal years 2009, 2010 and 2013 through 2018. Further, there is a possibility of funding loss and noncompliance with Section 158.33 of 14 CFR Part 158.

Recommendation: We recommend CPA review the approved PFC project costs and comply with the requirements of Sections 158.13 and 158.33 of 14 CFR Part 158. Further, we recommend that CPA submit another application to make use of the excess PFCs.

Prior Year Status: The lack of monitoring project costs was reported as a finding in the PFC audits for fiscal years 2005 through 2019.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Skye L. Aldan Hofschneider

Corrective Action: CPA has submitted Amendment 5 for its PFC application 1. This amendment is to adjust the PFC collection authority for projects to actuals costs for the following projects: Air Conditioning Arrival Area, Rota Airport Visual Guidance System, and the Sewerline Connection. Amendment 5 was approved on June 12, 2021. Further, the PFC authority approval includes financing costs, so the PFC collection authority may exceed the fixed asset amounts.

CPA applied for an amendment (Amendment 4) to its PFC application in 2019. Amendment 4 adjusted the collection authority for the following projects: Electrical Upgrade/Generator, Conversion of Restaurant to Holding Room, Enclosure and Air Conditioning of Corridor, Aircraft Waste Disposal, Perimeter Fencing, and Apron Expansion. Amendment 4 was approved by the FAA in June 2019. Further, the PFC authority approval includes financing costs, so the PFC collection authority may exceed the fixed asset amounts.

CPA will review the approved PFC authority for Application 2 and reconcile the amounts to the project costs. Furthermore, CPA is working on a PFC application for the overcollection of funds. CPA intends to submit this PFC application in FY 2022.

Proposed Completion Date: Fiscal Year 2022

Auditor Response: Capital assets should reflect capitalized interest and, as a result, agree with the PFC authority approved for collection. The finding remains.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-002
Area: Special Notification and Reporting
Questioned Costs: \$-0-

Criteria: In accordance with Section 158.63 of 14 CFR Part 158, the public agency shall provide quarterly reports to carriers collecting PFCs for the public agency with a copy to the appropriate FAA Airports office. The quarterly report shall include PFCs received from collecting carriers, interest earned, and expenditures for the quarter; cumulative PFCs received, interest earned, expenditures, and the amount committed for use on currently approved projects, including the quarter; the PFC level for each project; and the current project schedule. The report must be provided on or before the last day of the calendar month following the calendar quarter or other period agreed by the public agency and collecting carrier.

Condition: During the year ended September 30, 2020, CPA reported quarterly PFC collections and disbursements online via the System of Airport Reporting (SOAR) and the following were noted:

- 1) Total expenditures for fiscal year 2020 reported on SOAR amounted to \$9,154,649. Actual PFC expenditures applied to an approved project amounted to \$116,431. Cumulative expenditures of \$20,669,074 reported on SOAR are \$10,210,076 less than actual cumulative expenditures of \$30,879,150. An explanation of the difference was not provided.
- 2) Total cumulative revenues and interest reported on SOAR for fiscal year 2020 amounted to \$33,938,448. Actual cumulative revenues and interest amounted to \$33,904,838 resulting in a difference of \$33,611. An explanation of the variance was not provided.

Cause: The cause of the above condition is lack of awareness of program requirements.

Effect: The effect of the above condition is noncompliance with Section 158.63 of 14 CFR Part 158.

Recommendation: We recommend CPA comply with requirements of Section 158.63 of 14 CFR Part 158.

Prior Year Status: Noncompliance with Section 158.63 of 14 CFR Part 158 was reported as a finding in the PFC audits for fiscal years 2005 through 2019.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Skye L. Aldan Hofschneider

Corrective Action: In Fiscal Year 2020, CPA entered disbursements into SOAR to reflect the actual disbursements from the PFC account as applied towards all PFC approved projects. CPA will enter all disbursements made from the PFC account on a quarterly basis.

Proposed Completion Date: Fiscal Year 2022

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-003
Area: Special Notification and Reporting
Questioned Costs: \$-0-

Criteria: In accordance with Section 158.51 of 14 CFR Part 158, PFC 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.

Condition: During the year ended September 30, 2020, twelve air carriers remitted collections to CPA one or more months following the month in which PFC collections were collected. A summary is as follows:

<u>Airport</u>	<u>No. of Carriers</u>	<u>Time Lag in Collections</u>	<u>Incomplete</u>
Saipan	21	10	2
Rota	1	-	-
Tinian	<u>1</u>	<u>-</u>	<u>-</u>
	<u>23</u>	<u>10</u>	<u>2</u>

Cause: The cause of the above condition is the lack of follow-up by CPA.

Effect: The effect of the above condition is noncompliance with Section 158.51 of 14 CFR Part 158.

Recommendation: We recommend CPA establish follow-up procedures with air carriers to ensure PFC collections are remitted on a timely basis and to comply with Section 158.51 of 14 CFR Part 158.

Prior Year Status: The lack of follow-up of PFC remittances and lack of compliance with Section 158.51 of 14 CFR Part 158 was reported as a finding in the PFC audits for fiscal years 2013 through 2019.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Skye L. Aldan Hofschneider

Corrective Action: CPA agrees with this finding. In regard to airlines with direct flights to the CNMI, CPA has initiated monthly correspondence with air carriers to work towards PFC payments being submitted in a timely manner in accordance with Section 158.65 of 14 CFR Part 158. In dealing with airlines that do not have direct flights to the CNMI, it is difficult to determine which air carriers owe PFC's and the amount due. The transitioning of flights is not recorded by CPA; therefore, CPA depends on the quarterly reports from various airlines to determine the amount to be paid, if at all.

CPA will review quarterly reports submitted for completion and will follow up with carriers who do not submit in a timely manner or at all.

Proposed Completion Date: Resolved.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-004
Area: Additional Program Requirements
Questioned Costs: \$-0-

Criteria: In accordance with Section 158.67 (b) of 14 CFR Part 158, each public agency shall establish and maintain for each approved application a separate accounting record. The accounting record shall identify the PFC received from the collecting carriers, interest earned, the amounts used on each project, and the amount reserved for currently approved projects.

Condition: During the year ended September 30, 2020, CPA disbursed PFC funds totaling \$379,545. Of the total amount, \$116,431 was disbursed to eligible PFC projects. Further, for one PFC listed project, Runway 7/25 Rehab Phase I & II, cumulative expenditures are \$3,988,815 per the schedule. The general ledger, however, has an account balance of \$4,076,542. Although CPA maintains a separate accounting record of PFC revenue received from collecting carriers and interest earned on collections, a separate record of PFC funds used on each approved project, a schedule of amounts reserved for currently approved projects and PFC reimbursements on historical projects are not maintained. We were unable to determine which historical projects were reimbursed during the fiscal year. CPA subsequently prepared a schedule of PFC expenditures; however, there was no evidence of review and approval.

Cause: The cause of the above conditions is the lack of maintaining a separate accounting record for PFC projects that are reviewed and approved by management.

Effect: The effect of the above condition is noncompliance with Section 158.67 (b) of 14 CFR Part 158.

Recommendation: We recommend CPA comply with the requirements of Section 158.67 (b) of 14 CFR Part 158.

Prior Year Status: The lack of maintaining a separate accounting record was reported as a finding in the PFC audits for fiscal years 2009 through 2019.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Skye L. Aldan Hofschneider

Corrective Action: CPA will maintain a separate schedule to indicate what approved historical projects PFC expenditures were applied to. This schedule will go through the normal review process to evidence the proper approvals.

Proposed Completion Date: Fiscal Year 2021

COMMONWEALTH PORTS AUTHORITY

Unresolved Prior Year Comments
Year Ended September 30, 2020

Questioned Costs

The prior year PFC audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2019:

Questioned costs as previously reported	\$ 864,569
Questioned costs of fiscal year 2020 PFC audit	<u>14,908</u>
Unresolved questioned costs at September 30, 2020	\$ <u>879,477</u>

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 6 through 10).



Commonwealth Ports Authority

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No. 2019-001	See corrective action plan to Finding No. 2020-001
Finding No. 2019-002	See corrective action plan to Finding No. 2020-002
Finding No. 2019-003	See corrective action plan to Finding No. 2020-003
Finding No. 2019-004	See corrective action plan to Finding No. 2020-004
Finding No. 2018-001	See corrective action plan to Finding No. 2020-001
Finding No. 2018-002	See corrective action plan to Finding No. 2020-002
Finding No. 2018-003	See corrective action plan to Finding No. 2020-003
Finding No. 2018-004	See corrective action plan to Finding No. 2020-004
Finding No. 2017-001	See corrective action plan to Finding No. 2020-001
Finding No. 2017-003	See corrective action plan to Finding No. 2020-002
Finding No. 2017-004	See corrective action plan to Finding No. 2020-003
Finding No. 2017-005	See corrective action plan to Finding No. 2020-004
Finding No. 2016-001	See corrective action plan to Finding No. 2020-001
Finding No. 2016-003	See corrective action plan to Finding No. 2020-002
Finding No. 2016-004	See corrective action plan to Finding No. 2020-003
Finding No. 2016-005	See corrective action plan to Finding No. 2020-004
Finding No. 2015-001	See corrective action plan to Finding No. 2020-001
Finding No. 2015-003	See corrective action plan to Finding No. 2020-002
Finding No. 2015-004	See corrective action plan to Finding No. 2020-003
Finding No. 2014-001	See corrective action plan to Finding No. 2020-001
Finding No. 2014-003	See corrective action plan to Finding No. 2020-002
Finding No. 2014-004	See corrective action plan to Finding No. 2020-003
Finding No. 2014-005	See corrective action plan to Finding No. 2020-004
Finding No. 2013-001	See corrective action plan to Finding No. 2020-001
Finding No. 2013-003	See corrective action plan to Finding No. 2020-002
Finding No. 2013-005	See corrective action plan to Finding No. 2020-003
Finding No. 2013-006	See corrective action plan to Finding No. 2020-004
Finding No. 2012-001	See corrective action plan to Finding No. 2020-001
Finding No. 2012-003	See corrective action plan to Finding No. 2020-002
Finding No. 2012-004	See corrective action plan to Finding No. 2020-004
Finding No. 2011-001	See corrective action plan to Finding No. 2020-001
Finding No. 2011-003	See corrective action plan to Finding No. 2020-002
Finding No. 2011-006	See corrective action plan to Finding No. 2020-004
Finding No. 2010-001	See corrective action plan to Finding No. 2020-001
Finding No. 2010-003	See corrective action plan to Finding No. 2020-002
Finding No. 2010-007	See corrective action plan to Finding No. 2020-004
Finding No. 2009-001	See corrective action plan to Finding No. 2020-001
Finding No. 2009-003	See corrective action plan to Finding No. 2020-002
Finding No. 2009-006	See corrective action plan to Finding No. 2020-004
Finding No. 2008-001	See corrective action plan to Finding No. 2020-001
Finding No. 2008-004	See corrective action plan to Finding No. 2020-002
Finding No. 2007-001	See corrective action plan to Finding No. 2020-001
Finding No. 2007-004	See corrective action plan to Finding No. 2020-002
Finding No. 2006-1	See corrective action plan to Finding No. 2020-001
Finding No. 2006-4	See corrective action plan to Finding No. 2020-002
Finding No. 2005-1	See corrective action plan to Finding No. 2020-001
Finding No. 2005-3	See corrective action plan to Finding No. 2020-002