

*Report on Compliance and Internal Control and Schedule of  
Passenger Facility Charges Collected and Expended*

**Commonwealth Ports Authority**

(A Component Unit of the Commonwealth of the Northern  
Mariana Islands)

*Year ended September 30, 2022*



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(A Component Unit of the Commonwealth of the Northern Mariana Islands)

**Report on Compliance and Internal Control and  
Schedule of Passenger Facility Charges Collected and Expended**

Year ended September 30, 2022

**Contents**

Report of Independent Auditors on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance and Report on Schedule of Passenger Facility Charges Collected and Expended Required by the Federal Aviation Administration .....	1
Schedule of Passenger Facility Charges Collected and Expended .....	4
Notes to the Schedule of Passenger Facility Charges Collected and Expended .....	5
Passenger Facility Charge Program Schedule of Finding and Questioned Cost.....	6
Summary Schedule of Prior Audit Findings.....	8



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## **Report of Independent Auditors on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance and Report on Schedule of Passenger Facility Charges Collected and Expended Required by the Federal Aviation Administration**

Management and the Board of Directors  
Commonwealth Ports Authority

### **Report on Compliance for the Passenger Facility Charge Program**

We have audited the 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 program for the year ended September 30, 2022.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of projects applicable to the passenger facility program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for CPA's passenger facility charge 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; 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 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 opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of CPA's compliance.

#### ***Opinion on the Passenger Facility Charge Program***

In our opinion, CPA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on CPA's passenger facility charge program for the year ended September 30, 2022.

## 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 passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge 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.

*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 charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 charge 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 or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of finding and questioned cost as item 2022-001 that we consider to be a significant deficiency.

CPA's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. CPA'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 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, 2022, and have issued our report thereon dated August 29, 2023, which contained a qualified opinion on those 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 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 audited 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. 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.

*Ernst + Young*

August 29, 2023

**Commonwealth Ports Authority**  
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Schedule of Passenger Facility Charges Collected and Expended

Each Quarter and for the Year ended September 30, 2022

<u>Description</u>	Beginning Balance Unliquidated <u>PFC</u>	<u>PFC</u> <u>Revenues</u>	Investment <u>Earnings</u>	Total <u>Expenditures</u>	Ending Balance Unliquidated <u>PFC</u>
Cash receipts and disbursements, quarter ended December 31, 2021	\$11,956,402	\$ ---	\$ 875	\$( 444,756)	\$11,512,521
Cash receipts and disbursements, quarter ended March 31, 2022	11,512,521	---	283	( 68,274)	11,444,530
Cash receipts and disbursements, quarter ended June 30, 2022	11,444,530	---	284	( 80,929)	11,363,885
Cash receipts and disbursement, quarter ended September 30, 2022	11,363,885	<u>---</u>	<u>272</u>	<u>(1,466,255)</u>	9,897,902
<b>Total</b>		<b><u>\$ ---</u></b>	<b><u>\$1,714</u></b>	<b><u>\$(2,060,214)</u></b>	

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Notes to Schedule of Passenger Facility Charges Collected and Expended

Year Ended September 30, 2022

**1. Description of the Program**

In 1990, the United States (U.S.) Congress enacted the Aviation Safety and Capacity Expansion Act of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2 or \$3 passenger facility charge (PFC). In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21<sup>st</sup> Century, which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger.

On October 15, 2004, the Federal Aviation Administration (FAA) approved the Commonwealth Ports Authority's (CPA) application to impose and collect 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.

In May 2021, the FAA required CPA to suspend the imposition and collection of PFCs from passengers because CPA had collected PFCs over the total amount approved by the FAA for collection.

Accordingly, there were no collections of PFCs for the fiscal year ended September 30, 2022.

As of September 30, 2022, \$34,174,530 total cumulative receipts from October 2004, including interest earned, exceeded the \$30,982,014 total amount approved for collection by \$3,192,516.

In FY2022, CPA started drafting PFC Application 3 for submission to the FAA to address the overcollection of PFC funds. Approval from the FAA is necessary to allow CPA to utilize the overcollected PFCs for airport improvements and debt service.

**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.

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Passenger Facility Charge Program Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Finding No.: 2022-001  
Area: Overcollection of PFCs  
Questioned Cost: None

Criteria:

In accordance with Section 158.33 of 14 Code of Federal Regulations (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:

Total PFC receipts of \$34,174,530 as of September 30, 2022, of which \$114,747 pertains to interest income, exceeded total approved project costs of \$30,982,014 by \$3,192,516.

Cause:

CPA lacks control over ensuring compliance with Section 158.33 of 14 CFR Part 158.

Effect:

There is a possibility of funding loss and noncompliance with Section 158.33 of 14 CFR Part 158.

Recommendation:

We recommend CPA comply with the requirements of Section 158.33 of 14 CFR Part 158.

Prior Year Status:

The lack of ensuring compliance with Section 158.33 of 14 CFR Part 158 was reported as a finding in the PFC audit for fiscal year 2021.



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Passenger Facility Charge Program Schedule of Findings and Questioned Costs, continued

Year Ended September 30, 2022

Finding No.: 2022-001, continued  
Area: Overcollection of PFCs  
Questioned Cost: None

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Skye L. Aldan Hofschneider

**Corrective Action:**

CPA has ceased PFC collections. CPA hired a technical consultant to prepare PFC Application 3 for the overcollection of PFC funds. PFC Application 3 is currently in draft form and will be submitted to the Federal Aviation Administration for review of the project listing by September 2023.

**Proposed Completion Date:** Fiscal Year 2024

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Summary Schedule of Prior Audit Findings

Year Ended September 30, 2022

<u>Finding Number</u>	<u>Requirement</u>	<u>Status</u>
2021-001	Project Cost Allowability	Unresolved – see Finding 2022-001
2021-002	Special Notification and Reporting	Resolved
2021-003	Special Notification and Reporting	Resolved
2021-004	Additional Program Requirements	Resolved