

**CITY OF PORTLAND, MAINE**

**Reports Required by the *Passenger Facility Charge*  
*Audit Guide for Public Agencies***

**For the Year Ended June 30, 2018**

**CITY OF PORTLAND, MAINE**  
**Reports Required by the *Passenger Facility Charge***  
***Audit Guide for Public Agencies***  
**For the Year Ended June 30, 2018**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,  
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION**

City Council  
City of Portland, Maine

**Report on Compliance**

We have audited the City of Portland, Maine's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2018.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City of Portland, Maine'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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards and the *Passenger Facility Charge Audit Guide for Public Agencies* 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 City of Portland, Maine'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 the City of Portland, Maine's compliance.

***Basis for Qualified Opinion on the Passenger Facility Charge Program***

As described in finding 2018-001 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding reporting. Compliance with such requirements is necessary, in our opinion, for the City of Portland, Maine to comply with the requirements applicable to that program.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,  
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Portland, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge Program for the year ended June 30, 2018.

***Other Matters***

The City of Portland, Maine's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Portland, Maine's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the City of Portland, Maine 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 the City of Portland, Maine'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 the City of Portland, Maine'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 charges 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 charges 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,  
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

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 Expenditures of Passenger Facility Charges Required by the Guide**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements. We issued our report thereon dated February 25, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by 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 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 expenditures of passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.



February 25, 2019  
South Portland, Maine

CITY OF PORTLAND, MAINE  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
For the Year and Each Quarter Within the Year Ended June 30, 2018

	Approved Amounts Impose and Use	Memorandum	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Memorandum
		Only Cumulative Total June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	June 30, 2018	Only Cumulative Totals June 30, 2018
02-03-C-00-PWM								
02-03-C-01-PWM (amended)								
02-03-C-03-PWM (amended)								
Passenger facility charge revenue	\$ 18,945,754	18,307,785	-	-	-	-	-	18,307,785
Expenditures:								
Passenger boarding bridge acquisition	1,575,433	1,524,470	-	-	-	-	-	1,524,470
Terminal canopy completion	2,317,153	2,242,671	-	-	-	-	-	2,242,671
Baggage claim expansion and improvements	8,446,307	8,166,295	-	-	-	-	-	8,166,295
Passenger boarding bridge regional jet modifications	186,128	180,065	-	-	-	-	-	180,065
Runway 11/29 upgrade and relocation	1,545,899	1,480,483	-	-	-	-	-	1,480,483
Taxiway improvements	176,359	170,264	-	-	-	-	-	170,264
Terminal roadway system expansion	2,876,979	2,784,031	-	-	-	-	-	2,784,031
Snow removal equipment acquisition	1,755,041	1,694,362	-	-	-	-	-	1,694,362
PFC application costs and program administration	66,455	65,144	-	-	-	-	-	65,144
<b>Total expenditures</b>	<b>\$ 18,945,754</b>	<b>18,307,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,307,785</b>
10-05-C-00-PWM								
Passenger facility charge revenue	\$ 132,206,104	23,264,332	1,052,499	942,840	863,710	1,073,237	3,932,286	27,196,618
Expenditures:								
Terminal building expansion	120,717,387	19,842,829	1,486,349	-	2,389,106	-	3,875,455	23,718,284
Passenger boarding bridges	3,279,957	524,595	39,296	-	63,162	-	102,458	627,053
Roadway realignment project	8,208,760	1,393,156	104,356	-	167,738	-	272,094	1,665,250
<b>Total expenditures</b>	<b>\$ 132,206,104</b>	<b>21,760,580</b>	<b>1,630,001</b>	<b>-</b>	<b>2,620,006</b>	<b>-</b>	<b>4,250,007</b>	<b>26,010,587</b>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council  
City of Portland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated February 25, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Portland, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Portland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2018-002 and 2018-003).

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Portland, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are opportunities for strengthening internal controls and operating efficiency that we have reported to the management of the City of Portland, Maine in a separate letter dated February 25, 2019.

**City of Portland, Maine’s Response to Findings**

City of Portland, Maine’s response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Portland, Maine’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 25, 2019  
South Portland, Maine



**CITY OF PORTLAND, MAINE**  
**Schedule Findings and Questioned Costs**  
**June 30, 2018**

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**Section I - Findings and Questioned Costs for Expenditures of Passenger Facility Charge Program**

**2018-001**

Statement of Condition: Reporting standards require underlying data to be reconciled to reported amounts. PFC quarterly reports were prepared during the year, which contained inaccurate data.

Criteria: The PFC quarterly reports must accurately report revenues and expenditures charged to the various projects and ensure that the information agrees with the City's accounting system.

Effect: Expenditures could be understated or overstated and eventually not be reimbursed with PFC revenue. Revenues could be understated or overstated, resulting in the wrong cumulative total collected and reported to the airlines.

Cause: The Airport personnel were preparing the PFC reports by running information from the accounting system with inaccurate parameters. As a result, the quarterly reports were submitted with inaccurate information for most of the year.

Recommendation: The PFC quarterly reports need to properly reflect the activity for the quarter. The reports should be reviewed by someone from the City's Finance department to ensure that the information agrees to the City's records before submitting to the FAA. Subsequently, all reports have been amended to reflect the accurate data.

Questioned Costs: None

*Management's response/corrective action plan: A vacancy in the position responsible for the filing of quarterly reports and other financial statements has now been filled on a permanent basis, and these responsibilities have been transferred to the Airport Deputy Director of Finance and Administration. Finance Department staff will continue to review the information contained in all quarterly reports to ensure that the information agrees to the City's financial records.*

*Anticipated completion date: March 31, 2019*

*Contact person responsible for corrective action: Paul Bradbury, Airport Director, Portland International Jetport, 207-756-8029*

CITY OF PORTLAND, MAINE  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2018

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**Section II - Findings Required to be Reported Under *Government Auditing Standards***

SIGNIFICANT DEFICIENCIES

**2018-002 – Cash and Investment Reconciliations**

Cash and investment reconciliations are an important part of financial planning. These reconciliations are important in understanding the cash flows of the City and for ensuring the availability of liquid cash for City operations. Ideally, these reconciliations are performed at the close of each month and necessary adjustments and reconciling items are posted to the general ledger in a timely manner. During our audit testing we found that material adjustments to reconcile the June pooled cash and investment accounts and consolidated rep payee account were not posted until September or later. Had these adjustments been posted in a timely manner it would have significantly altered financial reporting and potentially changed management decisions regarding operations.

We suggest that reconciliations of all cash and investment accounts be performed monthly with all necessary adjustments posted to the general ledger by the close of the subsequent month to ensure that crucial management decisions are based on accurate information.

*Management Response: While the City completes cash reconciliations on a monthly basis, and uses other measurements and procedures to determine the appropriate timing of cash flows and investments, we agree that the reconciliation of accounts in the pooled cash fund must be completed on a timely basis. With the assistance of our auditors, we have begun regular reconciliations of the general ledger accounts in the pooled cash fund to individual bank account balances.*

*Anticipated Completion Date: February 1, 2019*

*We have reviewed the reconciliation procedures for the Rep Payee bank account and we believe that monthly cash reconciliations have been properly performed. However, the computer system used to facilitate the reconciliation process does not retain the necessary backup data from month to month and staff had neglected to save this documentation with monthly reconciliations. Formal reconciliations are now submitted to the Controller on a monthly basis.*

*Anticipated Completion Date: December 1, 2018*

**CITY OF PORTLAND, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**  
**June 30, 2018**

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**Section II - Findings Required to be Reported Under *Government Auditing Standards, Continued***

**2018-003 – Routine General Ledger Review - School Department**

To ensure the accuracy of recorded transactions, periodic reviews and/or reconciliations of general ledger balances must be performed. Our audit testing revealed that such procedures were not routinely performed during the majority of the year. We believe that the following procedures should be performed on a monthly basis:

- Reconciliation of the detailed listing of accounts receivable to the general ledger balances
- Reconciliation of the detailed listing of accounts payable to the general ledger balances
- Determination of the accuracy of the withholding accounts recorded on the general ledger to subsequent payroll tax returns and other reports
- Analytical review of each revenue account to identify misclassifications or errors
- Analytical review of expenditures to identify misclassifications or errors

A monthly check off sheet controlled by the Finance Department would be a good means of ensuring that each of these procedures is performed on schedule each month.

*Management Response: During FY2018, there were multiple finance staff on leaves of absence, there was a vacancy in the Finance Specialist position, and the Controller retired in April 2018. The level of review and analysis was not as consistent as it had been in prior years due to the staffing levels.*

*We have created monthly checklists to ensure we are reviewing accounts receivable and accounts payable balances regularly along with detailed review of the associated revenue and expenditure accounts.*

*Anticipated Completion Date: January 1, 2019*

*Oversight of the payroll function has been transferred back to the finance department as of February 2019 and additional staff have been added. The finance staff will continue to be responsible for the health and dental reconciliations and will ensure the rest of the payroll liabilities are reconciled monthly.*

*Anticipated Completion Date: March 1, 2019*

**CITY OF PORTLAND, MAINE**  
**Schedule of Findings and Questioned Costs, Continued**  
**June 30, 2018**

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**Section III - Status of Prior Year Audit Findings**

**2017-001**

Statement of Condition: Reporting standards require underlying data to be reconciled to reported amounts. PFC quarterly reports were prepared during the year, which contained inaccurate data.

Criteria: The PFC quarterly reports must accurately report revenues and expenditures charged to the various projects and ensure that the information agrees with the City's accounting system.

Effect: Expenditures could be understated or overstated and eventually not be reimbursed with PFC revenue. Revenues could be understated or overstated, resulting in the wrong cumulative total collected and reported to the airlines.

Cause: The Airport personnel were preparing the PFC reports by running information from the accounting system with inaccurate parameters. As a result, the quarterly reports were submitted with inaccurate information for most of the year.

Recommendation: The PFC quarterly reports need to properly reflect the activity for the quarter. The reports should be reviewed by someone from the City's Finance department to ensure that the information agrees to the City's records before submitting to the FAA. Subsequently, all reports have been amended to reflect the accurate data.

Status: See current year 2018-001