County of San Diego, California

McClellan – Palomar Airport

(An Enterprise Fund of the County of San Diego, California)

Schedule of Passenger Facility Charge Revenues and Expenditures

Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)

County of San Diego, California

McClellan – Palomar Airport

Schedule of Passenger Facility Charge Revenues and Expenditures

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego
San Diego, California

Report on the Schedule of Passenger Facility Charge Revenues and Expenditures

Opinion

We have audited the Schedule of Passenger Facility Charge Revenues and Expenditures ("Schedule") for the year ended June 30, 2019. In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion of our report, the accompanying Schedule presents fairly, in all material respects, the Passenger Facility Charge Revenues and Expenses for the year ended June 30, 2019, and the related notes to the Schedule in accordance with Title 14 Code of Federal Regulations Part 158 and the Federal Aviation Administration's ("FAA") Passenger Facility Charge ("PFC") Program requirements.

Basis for Opinion

The PFC expenditures reported for the year ended June 30, 2019 were derived from allocations of current-year PFC revenue across multiple FAA-approved projects that have not yet been fully reimbursed. While management can demonstrate that the underlying historical project costs are eligible and supported, the County did not maintain documentation linking current-year "uses" of PFC revenue reported as expenditures to specific invoices or pay applications (i.e., reimbursement documentation) as contemplated by 14 CFR §158.13 and the *FAA Passenger Facility Charge Audit Guide for Public Agencies* (the PFC Guide). Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the occurrence and allowability of current-year recorded "uses" of PFC revenue.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the PFC Guide issued by the FAA. Our responsibilities under those standards and the PFC Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the beginning Cumulative total as of July 1, 2018 was restated to correct an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedule

The County's management is responsible for the preparation and fair presentation of the Schedule in accordance with Title 14 Code of Federal Regulations Part 158 and the FAA's PFC Program requirements and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2026 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance

DavisFarr LLP

Irvine, California
May 22, 2026

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

Board of Supervisors
County of San Diego
San Diego, California

We have audited, in accordance with 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 Schedule of Passenger Facility Charge Revenues and Expenditures ("Schedule") of the County of San Diego, McClellan – Palomar Airport as of and for the year ended June 30, 2019, and the related notes to the schedule, and have issued our report thereon dated May 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-003, and 2019-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free of 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 financial schedule. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

County's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

DavisFarr LLP

Irvine, California
May 22, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*

Board of Supervisors
County of San Diego
San Diego, California

Report on Compliance for the Passenger Facility Charge Program

Qualified Opinion on Compliance

We have audited the County's compliance with the compliance requirements applicable to the Federal Aviation Administration ("FAA") Passenger Facility Charge ("PFC") Program that could have a direct and material effect on the Program for the year ended June 30, 2019.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on Compliance paragraph, the County complied, in all material respects, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (PFC Guide), issued by the Federal Aviation Administration, that are applicable to its PFC program for the year ended June 30, 2019.

Basis for Qualified Opinion on Compliance

The PFC expenditures reported for the year ended June 30, 2019 were derived from allocations of current-year PFC revenue across multiple FAA-approved projects that have not yet been fully reimbursed. While management can demonstrate that the underlying historical project costs are eligible and supported, the County did not maintain documentation linking current-year "uses" of PFC revenue reported as expenditures to specific invoices or pay applications (i.e., reimbursement documentation) as contemplated by 14 CFR §158.13 and the (the PFC Guide). Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the occurrence and allowability of current-year recorded "uses" of PFC revenue. See Finding 2019-001.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the PFC Guide issued by the FAA. Our responsibilities under those standards and the PFC Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the PFC program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The County's management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements referred to above.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the PFC Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the PFC Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the PFC Guide, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instance of noncompliance which are required to be reported in accordance with *Government Auditing Standards,* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

County's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. As discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 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 compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2019-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

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 *PFC Guide issued by the FAA*. Accordingly, this report is not suitable for any other purpose.

DavisFarr LLP

Irvine, California
May 22, 2026

County of San Diego, California

McClellan – Palomar Airport

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

Year Ended June 30, 2019

(1) Program Description

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenue for Federal Aviation Administration (FAA) approved projects meeting at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers. The FAA approved the Airport's PFC application to collect $4.50 per enplaned passenger effective January 1, 2009. The total approved PFC revenue to be collected is $4,947,065 through February 1, 2043.

All PFCs collected are categorized as operating revenues in the County of San Diego's Annual Comprehensive Financial Report. PFC revenues received are used as reimbursements of PFC expenditures.

The Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents only the activity of the PFC program of the County of San Diego, Airports Fund, a Fund of the County of San Diego.

(2) Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues collected from passenger facility charges and expenditures incurred on approved projects. Revenues received and expended on approved projects in this accompanying Schedule agree to the passenger facility charge quarterly status reports submitted by the Airport to the FAA, net of minor adjustments.

The Schedule reflects passenger facility charge collections as reported to the FAA in accordance with the quarterly reporting requirements of 14 CFR Part 158, which are based on cash collections. Accordingly, PFC charges collected represent cash received through the end of the quarter as reported to the FAA. While the County maintains its enterprise fund accounting records on the accrual basis of accounting in accordance with generally accepted accounting principles, certain PFC collections are remitted through the airline clearinghouse and are recorded as revenue upon receipt. The Schedule is therefore presented on a cash basis for FAA reporting purposes. During the year ended June 30, 2019, $13 in PFC revenue was collected.

(3) Restatement

The amount reported as the cumulative total of expenditures at the beginning of the year was restated to correct an error. The prior audit report erroneously reported the cumulative expenditures as the amount approved and not the actual amount incurred.

Description	Amount Reported as Expended as of July 1, 2018, Original	Amount Reported as Expended as of July 1, 2018, Restated
Design and Construct Terminal Building	$ 4,150,032	$ 489,880
Acquire ARFF Vehicle	30,250	-

County of San Diego, California
McClellan – Palomar Airport
Schedule of Passenger Facility Charge Revenues and Expenditures
Year Ended June 30, 2019

	Project Number	Cumulative Total - 07/01/18	Quarter Ended 09/30/18	Quarter Ended 12/31/18	Quarter Ended 03/31/19	Quarter Ended 06/30/19	Year Ended 06/30/19	Cumulative Total - 06/30/19
REVENUES								
Collections		$ 1,034,891	$ 8	$ -	$ 5	$ -	$ 13	$ 1,034,904
Total Revenues		1,034,891	8	-	5	-	13	1,034,904
EXPENDITURES								
Construct Taxiway C	01-001	39,743	-	-	-	-	-	39,743
Construct Terminal Apron	01-002	157,866	-	-	-	-	-	157,866
Enhance RSA and Infield Drainage	01-003	79,165	-	-	-	-	-	79,165
Construct Blast Fence	01-004	16,907	-	-	-	-	-	16,907
Construct Access Road	01-005	111,685	-	-	-	-	-	111,685
Enhance Airport Security System	01-006	74,749	-	-	-	-	-	74,749
Construct Passenger Movement Facility	01-007	64,905	-	-	-	-	-	64,905
Design and Construct Terminal Building*	01-008	489,880	9	-	-	-	9	489,889
Acquire ARFF Vehicle*	01-009	-	-	-	-	-	-	-
PFC Administrative Costs	01-010	-	-	-	-	-	-	-
Total Expenditures		1,034,900	9	-	-	-	9	1,034,909
Net PFC Revenue		$ (9)	$ (1)	$ -	$ 5	$ -	$ 4	$ (5)

*Cumulative total as of July 1, 2018 was restated. See note 3 for further details.

See accompanying notes to Schedule of Passenger Facility Charge Revenues and Expenditures.

McClellan – Palomar Airport

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

PFC Schedule

1. Type of auditors' report issued on the PFC Schedule:	Qualified
2. Internal control over preparation of the PFC Schedule:	
a. Material weakness(es) identified?	Yes 2019-001
b. Significant deficiency(ies) identified?	No
3. Noncompliance material to the PFC Schedule noted?	Yes 2019-001

Passenger Facility Charge Program

1. Internal control over Passenger Facility Charge Program:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	Yes 2019-002 2019-003 2019-004
2. Type of auditor's report issued on compliance for the Passenger Facility Charge Program:	Qualified
3. Any audit findings disclosed that are required to be reported in accordance with the Guide?	Yes 2019-001

Section II - Financial Statement Findings

No matters were reported beyond those related to the PFC Schedule described in Section III.

Section III – PFC Program Findings and Questioned Costs

(2019-001) Documentation of 'Use' of PFC Revenue

Criteria

Under 14 CFR §158.13, PFC revenue may be used only to finance allowable costs of approved projects; the PFC Guide expects documentation sufficient to support occurrence and allowability (i.e., that each reported 'use' reimburses actual eligible costs).

Condition

For FY19, the County recorded current-year PFC expenditures via pro-rata allocation of PFC revenue across multiple not-fully-reimbursed projects. The County did not maintain documentation that links those amounts to specific invoices/pay applications reimbursed in the period.

Cause

Absence of a reimbursement log and formal procedures for linking each 'use' to specific historical eligible costs.

Effect

Compliance: Inability to demonstrate that current-year PFC 'uses' represent payments of actual eligible costs is material noncompliance with §158.13

PFC Schedule: Insufficient appropriate audit evidence for occurrence/allowability of current-year expenditures

Internal Control: Material Weakness in internal control over preparation of the PFC schedule

Recommendation

Implement a PFC Reimbursement Log tying each 'use' to specific eligible historical cost (project/application, vendor, invoice/pay app, date incurred, amount reimbursed, cumulative reimbursed, remaining eligible balance). Cease pro-rata allocations; record 'uses' only when tied to specific costs. Quarterly reconcile the log to SOARS, the general ledger, and bank activity.

Management Response

The County of San Diego does not fully concur with the finding as presented. It is important to note that PFC activity for the entire FY18-19 year was $13, and commercial flights at McClellan–Palomar Airport halted in 2015. As a result, PFC collections and related activity have been extremely limited since that time.

All FAA-approved PFC projects being reimbursed and reported in SOARS were completed in 2010. Pursuant to the approved Board Letter and FAA authorization, the County is permitted to collect PFC revenue through 2043 up to the total eligible reimbursement amount. The County is reimbursing itself retroactively based solely on the approved amounts identified in the Board Letter. This is not an active capital program; rather, it is a historic reimbursement of projects completed many years ago.

Regarding Implementation of PFC Reimbursement Log, everything is being tracked in SOARS. SOARS is the official FAA-owned and managed reporting and cumulative tracking system for PFC collections and uses. SOARS tracks the total cost of the project being reimbursed, the approved total amount of PFCs to be collected, the collections to date, and the remaining amount to be collected. Data for the project, vendor, invoice, and specific dates incurred should have been destroyed, as these costs were incurred more than 15 years ago, which is beyond county's Retention period.

Regarding the cessation of pro-rata allocation, we believe pro-rata allocation is an acceptable and appropriate method for applying PFC collections to the approved projects, as long as we do not exceed the approved amounts. While proportional allocation is being used across approved projects with remaining unreimbursed balances, those expenditures were incurred and fully completed in 2010. Allocations represent reimbursement against approved project totals and do not constitute new expenditures. No over-reimbursement or ineligible costs occurred.

The underlying project costs were incurred in 2010 and were supported at that time by appropriate invoices, pay applications, and project documentation consistent with FAA approval requirements. The current-year reported "uses" reflect reimbursement against those previously incurred and eligible amounts, rather than new expenditures, and cumulative reimbursements have not exceeded the total FAA-approved project amounts.

Additionally, a waiver request related to $13.17 for FY15-16 had previously been submitted with responses that additional auditing was not required at that time; however, communications at that time appeared to commingle PFC audit requirements with Single Audit requirements. Subsequent years still had the understanding that no additional auditing was required, including through the FY 2019 timeframe. At what appears to be out of an abundance of caution, the County's Annual Comprehensive Financial Report (ACFR) was still provided to the FAA, which included PFC activity. The County was not notified until October 4, 2023, that historic PFC audits were considered missing and required.

Further, the County's Global Retention Schedule for Accounts Payable and Accounts Receivable records is five years and should be taken into account., therefore, For the fiscal year ending June 30, 2019, related documentation (AUD #8487) was destroyed on July 22, 2024, in accordance with approved retention policy. The absence of certain historical documentation must therefore be considered in the context of the activity, projects completed in 2010, delayed audit notification, and compliance with established retention policies.

Corrective Actions

Management agrees with the Quarterly reconciliation of SOARS and Oracle (General Ledger). To address this matter, the County will:

1. SOARS-to-Oracle reconciliation will be performed on a quarterly basis to make sure reported PFC collections and uses recorded in SOARS are reconciled.

2. Supervisory Review and Documentation Retention: Quarterly reconciliations will be reviewed and approved by supervisory personnel, with documentation retained in accordance with County record retention policies.

Management believes these actions appropriately formalize controls around a historic reimbursement program and ensure continued alignment with 14 CFR §158.13 and FAA reporting requirements.

(2019-002) Insufficient Written Policies and Procedures Over the PFC Program

Criteria

Per 14 CFR Part 158, public agencies administering Passenger Facility Charges (PFCs) must maintain adequate systems and controls to ensure proper collection, use, and reporting of PFC revenue. The Passenger Facility Charge Audit Guide for Public Agencies issued by the FAA further emphasizes the importance of documented procedures to support compliance, transparency, and accountability in the administration of the PFC program.

Condition

The audit identified that the public agency does not have sufficient policies and procedures governing key aspects of the PFC program. While the current policies contain information for the collection of revenues and quarterly updates to the Federal Aviation Administration (FAA), it does not include policies for key items, such as, expenditure approval, record retention, and tracking changes in personnel, systems, or procedures affecting the program. Notably, the most recent written policy related to the PFC program was approved in 2008, and no updates or revisions have been documented since.

Cause

The absence of documentation appears to result from reliance on informal practices and institutional knowledge, without a structured framework for policy development and maintenance. High turnover in staff personnel further contributed to the lack of policy updates and continuity in program administration.

Effect

Without formalized policies and procedures, there is an increased risk of inconsistent practices, noncompliance with FAA requirements, and reduced auditability. The lack of a record retention policy and change log further limits the agency’s ability to demonstrate accountability and continuity in program administration.

Recommendation

We recommend that the public agency update the current policies and procedures to reflect revenue collection, expenditure approval, reporting, and compliance monitoring.

A formal record retention policy should be established for PFC-related documents beyond SOARS, and a change log should be maintained to track updates in personnel, systems, and procedures.

These actions will strengthen internal controls and support compliance with FAA requirements under 14 CFR Part 158.

Management Response

The County of San Diego does not fully concur with the characterization of this finding. Internal unit-level procedures governing the PFC program have existed; however, these documents are internal to the operating unit and are not formal Countywide policies.

All PFC projects were completed in 2010, and the program currently operates solely as a retroactive reimbursement mechanism authorized by Board Letter and FAA approval through 2043. Commercial flights halted in 2015, and PFC revenue activity for FY18-19 totaled $13. Given the limited level of activity and the historic reimbursement structure, comprehensive updates to written procedures had not previously been prioritized.

The reimbursement methodology is systematic: revenue is recorded in the general ledger, followed by proportional allocation in SOARS based on remaining authorized balances for completed projects. This sequencing exists as an operational control but had not been formally documented in a consolidated procedures manual.

Additionally, the FAA's Passenger Facility Charge Audit Guide for Public Agencies (2000) is dated and does not fully reflect the operational reality of programs where projects have long since been completed or collections represent reimbursement only.

Management's Corrective Action Planned or Taken

Management agrees to update Department PFC policies and procedures to ensure process reflects current practices, promotes consistency of operation and provides clear guidance for smooth transitions when personnel changes occur. To address this matter, the County will:

1. Update and Formalize PFC Policies and Procedures: A revised PFC Procedures document will be developed to reflect the current status of the program as a retroactive reimbursement of completed projects. The document will clarify:
    a. Board Letter authority (currently through 2043 at the time of this audit)'
    b. Completion date of projects (currently 2010 for items discussed in this audit)
    c. SOARS as the official tracking system
    d. General ledger review followed by proportional SOARS allocation sequencing

e. Supervisory review requirements

2. Clarify Record Retention Alignment: PFC documentation practices will be evaluated to ensure alignment with the County's Global Retention Schedule while considering extended audit requirements.

3. Periodic Review: Procedures will be reviewed periodically and updated as necessary to reflect program status and FAA reporting requirements.

Management believes these actions will formalize existing practices while recognizing the reimbursement-based nature of the program.

(2019-003) Revenue Timing Reconciliation

Criteria

Per generally accepted accounting principles (GAAP) and internal control standards, revenue should be recorded in the general ledger in the same accounting period in which it is earned. Timely and accurate revenue recognition is essential for reliable financial reporting and compliance with applicable accounting standards.

Condition

For FY19, December revenue recorded in the System of Airports Reporting System ("SOARS") did not align with the timing of revenue recorded in the general ledger. Although the total revenue for the year was accurate, the timing discrepancy indicates that revenue was not consistently recorded in the correct accounting period.

Cause

The discrepancy was due to the absence of a formal monthly reconciliation and cut-off review process between SOARS and the general ledger. This control gap may have been exacerbated by high turnover in staff personnel, which contributed to inconsistent oversight and continuity in financial reporting practices.

Effect

Revenue was not recorded in the correct accounting period for one month, which could lead to misstatements in financial reporting and reduce the reliability of financial data used for decision-making and compliance purposes.

Recommendation

We recommend implementing a formal monthly reconciliation and cut-off review process to ensure that revenue recorded in SOARS is accurately and timely reflected in the general ledger. This process should include documented procedures, review checkpoints, and oversight to ensure alignment between systems and compliance with revenue recognition standards.

Management Response

The County of San Diego does not fully concur with the finding. Total annual PFC revenue for FY18-19 was $13, and while a timing discrepancy occurred between SOARS reporting and general ledger recognition for one month, the total revenue for the year was accurate. Commercial flights ceased in 2015 resulting in extremely limited PFC activity, and all PFC projects were completed in 2010.

Because the program operates solely as retroactive reimbursement of completed projects, with revenue activity consisting only of reimbursements, the timing difference did not impact the total reported revenue, authorized reimbursement limits, or compliance with Board Letter authority. The PFC program has been active for many years under this methodology.

The County accounts for PFC activity within its enterprise fund on an accrual basis in accordance with generally accepted accounting principles (GAAP). Revenues are recorded in the general ledger when earned and/or invoiced, regardless of the timing of cash receipt. The established operational process is that PFC-related revenue activity is reflected in the general ledger, and a proportional reimbursement allocation is subsequently entered into SOARS based on remaining authorized balances. SOARS serves as the FAA-owned and managed reporting mechanism and may not always align precisely with accrual-based general ledger timing.

Management's Corrective Action Planned or Taken

Management agrees to implement monthly reconciliations to ensure the completeness and accuracy of recorded revenues. This process will also help identify variances and allow for timely corrective actions. To address this matter, the County will:

1. Formalize Revenue Entry Methodology: The sequencing of general ledger recording followed by proportional allocation entry into SOARS will be formally documented within PFC procedures to ensure clarity of timing and reporting methodology.

2. Supervisory Review: The SOARS entries and related proportional allocations will be reviewed and approved by supervisory personnel, with documentation of review retained.

These measures formalize the existing reimbursement methodology while recognizing the historic reimbursement-based nature of the program.

(2019-004) Lack of Reconciliation Between Receipts and Airline-Reported PFC Collections

Criteria

Per 14 CFR Part 158 and the Passenger Facility Charge Audit Guide for Public Agencies, public agencies are responsible for ensuring that PFC revenues collected by airlines are accurately reported and reconciled with receipts. Agencies must implement procedures to verify that amounts remitted by airlines match reported collections (e.g., via FAA Form 5100-127), to ensure completeness and accuracy of PFC revenue.

Condition

The audit identified that receipts from airlines are not consistently reconciled with airline-reported PFC collections. This lack of reconciliation increases the risk of undetected discrepancies between reported and received amounts.

Cause

The agency does not currently have a formal monthly reconciliation process in place to compare receipts with airline reports. This control gap may be due to limited staffing and frequent turnover in personnel, which disrupted the consistency of reconciliation procedures.

Effect

Without regular reconciliation, discrepancies between airline-reported collections and actual receipts may go unnoticed, potentially resulting in underreported revenue, delayed corrective actions, or noncompliance with FAA requirements.

Recommendation

We recommend that the agency implement a formal monthly reconciliation process comparing receipts to airline-reported PFC collections, such as those documented on FAA Form 5100-127. This process should include documented procedures, review checkpoints, and retention of supporting documentation to ensure completeness and accuracy of PFC revenue and compliance with 14 CFR Part 158.

Management Response

The County of San Diego does not fully concur with the characterization of this finding. Commercial flights halted in 2015, and PFC collections for FY18-19 totaled $13. All projects were completed in 2010, and collections represent retroactive reimbursement of approved project costs under Board authority through 2043. Revenue is recorded in the general ledger upon receipt, and cumulative balances and uses are tracked in SOARS, which serves as the official FAA reporting and monitoring system. Given the level of activity, no discrepancies between airline-reported collections and receipts were identified, and no revenue loss occurred.

Management's Corrective Action Planned or Taken

Management agrees with implementing monthly reconciliations to ensure record accuracy, identify discrepancies, and undertake timely corrective actions if needed. To address this matter, the County will:

1. Formalize Reconciliation Documentation: Periodic reconciliations will be performed comparing:
    a. General ledger revenue
    b. Airline-reported PFC collections
    c. SOARS reports

2. Supervisory Oversight: Reconciliations will be reviewed and approved by management to ensure completeness and accuracy.

3. Documentation Retention: Supporting reconciliation documentation will be retained in accordance with County record retention policies, with consideration given to extended audit timelines.

Management believes these actions appropriately formalize controls over a reimbursement-only revenue stream and support continued compliance with 14 CFR Part 158.

County of San Diego, California

McClellan – Palomar Airport

Summary Schedule of Prior Year Findings

Year Ended June 30, 2019

No matters were reported for the year ended June 30, 2018.