

CITY OF SYRACUSE, NEW YORK

**Independent Auditor's Report on Compliance for the Passenger Facility
Charge Program and on Internal Control over Compliance and the Schedule
of Expenditures of Passenger Facility Charges required by the Passenger
Facility Guide for Public Agencies**

For the Year Ended June 30, 2013

CITY OF SYRACUSE, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY
CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES REQUIRED BY THE
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

To the Honorable Mayor, Stephanie Miner
and the Members of the Common Council
City of Syracuse, New York

REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM

We have audited the City of Syracuse, New York's (the City) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2013.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for the City of Syracuse, New York's passenger facility charge program based on our audit. 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;

(Continued)

and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guide. Our audit does not provide a legal determination on the City of Syracuse, New York's compliance with those requirements.

OPINION ON THE PASSENGER FACILITY CHARGE PROGRAM

In our opinion, the City of Syracuse, New York 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, 2013.

OTHER MATTERS

The result of our auditing procedures disclosed an instance of noncompliance, and is required to be reported in accordance with the Guide and is described in the accompanying schedule of findings and questioned costs as item 13-1. Our opinion is not modified with respect to this matter.

The City of Syracuse, New York's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Syracuse, New York'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

The management of the City of Syracuse, New York 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 Syracuse, New York's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance 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 Syracuse, New York'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 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.

(Continued)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-1 to be a material weakness.

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.

REPORT ON SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (nonmajor governmental funds and fiduciary funds) of the City of Syracuse, New York (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 14, 2014 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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, 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 financial statements taken as a whole.

The City of Syracuse, New York's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Syracuse, New York'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.

March 14, 2014
Syracuse, New York

(Concluded)

CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2013

PROJECTS	CHARGE EFFECTIVE DATE	APPROVAL OF USE DATE	PROJECT START	Year Ended 6/30/2013 EXPENDITURES	AMOUNT APPROVED FOR IMPOSE AND USE
Passenger Terminal Security Access and Improvements	3/1/2007	7/1/2009	7/1/2009	<u>24,742,642</u>	<u>96,732,010</u>
TOTALS				\$ <u>24,742,642</u>	\$ <u>96,732,010</u>

See Accompanying Independent Auditor's Report

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2013

1. GENERAL

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 revenues for Federal Aviation Administration (FAA) approved projects. In August 1993, the FAA approved a \$3.00 Passenger Facility Charge collection at Hancock International Airport beginning November 1, 1993. Effective September 1, 2002, the FAA increased the PFC level to \$4.50.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of passenger facility charges presents the activity of passenger facility charge projects administered by Hancock International Airport, a proprietary fund of the City.

3. EXPENDITURES OF PASSENGER FACILITY CHARGES

The amounts reported as expenditures are those of passenger facility charge projects obtained from the PFC Quarterly Reports and the accounting records utilized to record activity for the applicable projects and period. The expenditures of passenger facility charges are recorded on the cash basis.

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**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part I Summary of Auditor's Results:

- The independent auditor's report on compliance with requirements applicable to the passenger facility charge program expressed an unmodified opinion.
- A material weakness in internal control over compliance with requirements applicable to the passenger facility charge program was identified as item 13-1.

Part II Passenger Facility Charge Program Finding

Reference Number 13-1

Criteria:

The airport must provide quarterly reports to carriers collecting PFC revenues with a copy to the Federal Aviation Administration.

Cause/Condition:

As noted in the prior year finding 12-1, the quarterly reports for the year ended June 30, 2012 overstated PFC expenditures because expenses related to a grant program were initially reported as PFC expenditures. The quarterly reports for the year ended June 30, 2013 understated PFC expenditures because the quarterly reports from June 30, 2012 were not revised, but rather adjustments were reported net of the actual June 30, 2013 quarterly expenditures. Quarterly reports were not prepared accurately.

Effect:

Expenses relating to the PFC program were not reported in the proper period as PFC expenditures on the quarterly reports.

Recommendation:

We recommend that all reports be reviewed for accuracy prior to submission. Revised reports should be submitted when errors are found to provide accurate quarterly reports.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Part II Passenger Facility Charge Program Finding (Cont'd)

Reference Number 13-1 (Cont'd)

Response:

Recognizing the importance of accurate reporting, we unfortunately continued to have delays in the contractor's efforts to separate out grant related costs (Other Transaction Agreements (OTA) with the Department of Homeland Security) from total PFC eligible project costs. In an effort to ensure the quarterly PFC report was completed by the due date, we used the total expenses until some later point when we had supporting documentation to adjust otherwise. Unfortunately that process continued into this audit year ended June 30, 2013 from the previous audit year ended June 30, 2012. As the project is nearing its completion, we are hoping to segregate and finalize all PFC eligible expenses from grant related expenses going forward, prior to closing the project out.

Part III Status of Prior Year Passenger Facility Charge Program Finding

Reference Number 12-1

Status:

See current year related finding 13-1.