

CITY OF BANGOR, MAINE

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

For the Year Ended June 30, 2023

CITY OF BANGOR, MAINE
Reports Required by *Government Auditing Standards*
and the *Passenger Facility Charge Audit Guide for Public Agencies*
For the year ended June 30, 2023

<u>Report</u>	<u>Page</u>
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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance and on Internal Control over Compliance Required by the <i>Passenger Facility Charge Audit Guide for Public Agencies</i> , issued by the Federal Aviation Administration	3-5
Schedule of Expenditures of Passenger Facility Charges	6
Notes to Schedule of Expenditures of Passenger Facility Charges	7
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	8
Section II - Findings Required to be Reported under <i>Government Auditing Standards</i>	9
Section III - Findings and Questioned Costs for Expenditures of the <i>Passenger Facility Charge Program</i>	10
Section IV - Status of Prior Year Findings to be Reported under <i>Government Auditing Standards</i>	11
Section V - Status of Prior Year Findings and Questioned Costs for Expenditures of the <i>Passenger Facility Charge Program</i>	12

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 Bangor, 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bangor, Maine as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements and have issued our report thereon dated July 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bangor, Maine's internal control over financial reporting (internal control) as a basis for designing 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 Bangor, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, 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 City'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bangor, 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 financial statements. 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*.

City of Bangor, Maine’s Response

Government Auditing Standards requires the auditor to perform limited procedures on the City of Bangor, Maine’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Bangor, Maine’s response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

We noted certain opportunities to strengthen internal controls and operating efficiency that we have reported to the management of the City of Bangor, Maine in a separate letter dated July 22, 2024.

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.



July 22, 2024, except for management corrective
action plans and responses, which are dated
August 5, 2024
South Portland, Maine

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 Bangor, Maine

Report on Compliance

Opinion on the Passenger Facility Charge Program

We have audited the City of Bangor, Maine's compliance with the types of compliance requirements identified as subject to audit 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, 2023.

In our opinion, the City of Bangor, 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.

Basis for Opinion on the Passenger Facility Charge Program

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 audit requirements of the Federal Aviation Administration (Guide) for passenger facility charge programs. Our responsibilities under those standards and the 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 City of Bangor, Maine 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 passenger facility charge program. Our audit does not provide a legal determination of the City of Bangor, Maine's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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 of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City of Bangor, Maine's passenger facility charge 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**

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 City of Bangor, Maine’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 generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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 City of Bangor, Maine’s compliance with the requirements of the passenger facility charges program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the 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 City of Bangor, Maine’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 City of Bangor, Maine’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 Guide, but not for the purpose of expressing an opinion on the effectiveness of the City of Bangor, Maine’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.

Report on 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 Guide 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 Guide 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 Guide that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**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**

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine’s basic financial statements. We issued our report thereon dated July 22, 2024, 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 specified in 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.



July 22, 2024
South Portland, Maine

CITY OF BANGOR, MAINE
Schedule of Expenditures of Passenger Facility Charges
For the Year and Each Quarter Within the Year Ended June 30, 2023

	Approved Amounts Impose and Use	Memorandum Only					Year Ended 2023	Memorandum Only
		Cumulative Total 2022	Quarter Ended September 30, 2022	Quarter Ended December 31, 2022	Quarter Ended March 31, 2023	Quarter Ended June 30, 2023		Cumulative Totals 2023
21-05-C-00-BGR								
Passenger facility charge revenue and interest	\$ 5,449,075	1,211,529	421,996	310,142	263,513	369,448	1,365,099	2,576,628
Expenditures:								
Passenger Boarding Bridges	5,402,900	2,042,257	194,463	107,656	24,686	39,378	366,183	2,408,440
PFC Application Costs	46,175	-	-	-	-	-	-	-
Total expenditures	\$ 5,449,075	2,042,257	194,463	107,656	24,686	39,378	366,183	2,408,440

See accompanying notes to schedule of expenditures of passenger facilities charges.

CITY OF BANGOR, MAINE
Notes to Schedule of Expenditures of Passenger Facility Charges
June 30, 2023

PURPOSE OF THE SCHEDULE

The Passenger Facility Charge Audit Guide for Public Agencies requires a Schedule of Expenditures of Passenger Facility Charges showing total expenditures for each passenger facility charge program.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all passenger facility charge programs of the City of Bangor, Maine for the fiscal year ended June 30, 2023. The reporting entity is defined in notes to basic financial statements of the City of Bangor, Maine.

- B. Basis of Presentation - The information in the accompanying schedule of expenditures of passenger facility charges is presented in accordance with the Audit Guide for Public Agencies.

The passenger facility charge programs are defined by the Federal Aviation Administration's Record of Decision for each program.

- C. Basis of Accounting - The information presented in the schedule of expenditures of passenger facility charges is presented on the cash basis of accounting.

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

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

MATERIAL WEAKNESS

2023-001 – Cash Account Reconciliations and Deposits

Criteria: To ensure cash balances are correctly reported and to deter errors or fraud, the City should deposit funds in a timely manner and perform monthly bank reconciliations.

Condition: During the audit, we determined that many deposits were made weeks after the funds were received. These included two deposits over \$400K that cleared nineteen and forty-five days after they were received and three deposits over \$100K that cleared the bank between seventeen and twenty days after they were received. In addition, the bank reconciliations for the pooled cash accounts were not completed for several months after fiscal year-end.

Cause: The City experienced turnover in staff that has created a backlog in processing cash receipts. In addition, the School Department had difficulties reconciling its own bank account.

Effect: Due to the large number of deposits in transit and outstanding checks, the complexity of reconciling the bank accounts increased. In addition, the City did not complete the June 2023 bank reconciliation until March 2024.

Recommendation: The City should make deposits and perform monthly bank reconciliations in a timely manner to reduce the risk of fraud or errors going undetected.

Management's Response/Corrective Action: *The impacts of the pandemic created an unprecedented staffing shortage for multiple departments which has lasted several years. While staffing was impacted the level of service provided to the public was not reduced resulting in fewer staff taking on more duties. As such, some areas fell behind. One such area was the receipting and depositing of mailed payments. Mailed payments were secondary to servicing live walking customers. Cash-ups and reconciliations were subsequently impacted as the primary focus was maintaining service to the public. Even as staffing levels returned to normal, processing remained delayed as new staff were being trained. During the City's Fiscal Year 2024, most Departments were back to adequate staffing levels and became current on the processing and depositing of payments.*

The City School Department operates on a separate financial system than the City and during FY23 the City and School modified how School transactions are posted to the City system. This created unexpected issues with reconciliations. Both City and School staff understand the need for timely reconciliations and are addressing and modifying procedures to ensure such issues do not occur in the future.

CITY OF BANGOR, MAINE
Schedule Findings and Questioned Costs, Continued

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

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings to be Reported under *Government Auditing Standards*

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section V - Status of Prior Year Findings and Questioned Costs for Expenditures of the *Passenger Facility Charge Program*

None