



September 30, 2021

CALL AND NOTICE OF A REGULAR MEETING OF THE
FINANCE AND ADMINISTRATION COMMITTEE
OF THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

NOTICE is hereby given that a regular meeting of the Finance and Administration Committee will be held Monday, October 4, 2021, at 9:30 a.m., or immediately following the Commission meeting, in the Skyroom of Hollywood Burbank Airport, 2627 N. Hollywood Way, Burbank, California 91505.

Pursuant to Government Code Section 54953(e), members of the Committee may participate in this meeting via teleconference. In the interest of maintaining appropriate social distancing, a physical location is not being provided for the public to attend or comment. Members of the public may observe the meeting telephonically and may offer comment in real time through the following number:

Dial In: (978) 990-5000

Access Code: 880737#

A handwritten signature in black ink, appearing to read "Terri Williams".

Terri Williams, Board Secretary
Burbank-Glendale-Pasadena Airport Authority

REGULAR MEETING
OF THE
FINANCE AND ADMINISTRATION COMMITTEE

Airport Skyroom
Monday, October 4, 2021
9:30 a.m., or Immediately Following
the Conclusion of the
Commission Meeting

As a result of the convening of this meeting of the Finance and Administration Committee, each Committee member in attendance is entitled to receive and shall be provided \$200.

The public comment period is the opportunity for members of the public to address the Committee on agenda items and on airport-related non-agenda matters that are within the Committee's subject matter jurisdiction. At the discretion of the presiding officer, public comment on an agenda item may be presented when that item is reached.

When in-person attendance or participation at meetings of the Committee is allowed, members of the public are requested to observe the following rules of decorum:

- *Turn off cellular telephones and pagers.*
- *Refrain from disorderly or boisterous conduct, including loud, threatening, profane, or abusive language, clapping, whistling, stamping, or other acts that disrupt or otherwise render unfeasible the orderly conduct of the meeting.*
- *If you desire to address the Committee during the public comment period, fill out a speaker request card and present it to the Board Secretary.*
- *Confine remarks to agenda items or to airport-related non-agenda matters that are within the Committee's subject matter jurisdiction.*
- *Limit comments to five minutes or to such other period of time as may be specified by the presiding officer.*

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The following activities are prohibited:

- *Allocation of speaker time to another person.*
- *Video presentations requiring use of Authority equipment.*

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Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the Authority to the Committee less than 72 hours prior to that meeting are available for public inspection at Hollywood Burbank Airport (2627 N. Hollywood Way, Burbank) in the administrative office during normal business hours.

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In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Board Secretary at (818) 840-8840 at least 48 hours prior to the meeting.

A G E N D A

Monday, October 4, 2021

1. Roll Call
2. Staff Announcement: AB 23
3. Approval of Agenda
4. Public Comment
(For items not on the Agenda. Public Comment on specific Agenda items will be received at the time the item is presented.)
5. Approval of Minutes
 - a. September 20, 2021 [See page 1]
6. Items for Discussion
 - a. Authority Financial Procedures (Continued)

No staff report attached. Staff will present a background overview of the two financial consulting firms (Public Resources Advisory Group; Ricondo and Associates) that the Commission has engaged under contract. Two principles of these respective firms will present a discussion of Cash Reserves at the October 18, 2021 Finance and Administration Committee meeting.
7. Items for Information
 - a. Auditor Required Communications for the FY 2021 Audits [See page 4]

In accordance with applicable professional standards, the Authority's auditor, Macias Gini & O'Connell LLP has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2021 audits. Also attached is a copy of the annual engagement letter, which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file these communications.
 - b. Committee Pending Items [See page 15]
8. Adjournment

**MINUTES OF THE REGULAR MEETING OF THE
FINANCE AND ADMINISTRATION COMMITTEE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY**

MONDAY, SEPTEMBER 20, 2021

A regular meeting of the Finance and Administration Committee was called to order this date in the Airport Skyroom, 2627 N. Hollywood Way, Burbank, California, at 11:45 a.m., by Commissioner Selvidge.

1. ROLL CALL

Present:

Commissioners Selvidge, Najarian (via teleconference), Ovrom

Absent:

None

Also Present:

Staff: John Hatanaka, Senior Deputy Executive Director; Kathy David, Deputy Executive Director, Finance and Administration (via teleconference); Scott Kimball, Deputy Executive Director, Business and Properties, SMS, Procurement and Operations;

Also Present: Demetri Lembesis, Executive Vice President, Willis Towers Watson

2. Staff Announcement: AB 23

The Senior Deputy Executive Director announced that, as a result of the convening of this meeting of the Finance and Administration Committee, each Committee member in attendance is entitled to receive and shall be provided \$200.

3. Approval of Agenda

Agenda was approved as presented.

Commissioner Selvidge announced that Item No. 8.a. would be taken after Item No. 5.a.

Motion

Commissioner Ovrom moved approval to take Item No. 8.a. out of order, seconded by Commissioner Najarian.

Motion Approved

There being no objection, a voice vote was taken to accommodate those Commissioners participating via teleconference. The motion was approved (3–0).

4. Public Comment

There were no public comments.

5. Approval of Minutes

a. August 16, 2021

Draft minutes for the August 16, 2021, Finance and Administration Committee meeting were presented for approval.

Motion

Commissioner Ovrom moved approval of the minutes, seconded by Commissioner Selvidge.

Motion Approved

There being no objection, a voice vote was taken to accommodate those Commissioners participating via teleconference. The motion was approved (2–0, 1 absent).

8. Items for Information

a. Presentation of FY 2022 Insurance Program

Staff introduced Demetri Lembesis, Executive Director of Willis Towers Watson, the Authority's current insurance broker, who provided an overview of the FY 2022 Insurance Renewal Program.

6. Items for Approval

**a. Terminal Space Lease
HG Burbank JV dba Hudson
Group Retail, LLC**

Staff presented to the Committee for recommendation to the Commission for approval a proposed Terminal Space Lease with HG Burbank JV dba Hudson Group Retail, LLC to provide two post-security concession kiosks inside Terminal A at the Airport.

Motion

Commissioner Ovrom moved approval; seconded by Commissioner Najarian.

Motion Approved

There being no objection, a voice vote was taken to accommodate those Commissioners participating via teleconference. The motion was unanimously approved (3–0).

**b. First Amendment to Concession
and Lease Agreement - Certified
Folder Display Service, Inc.**

Staff presented to the Committee for recommendation to the Commission for approval a proposed First Amendment to Concession and Lease Agreement ("Amendment") with Certified Folder Display Service, Inc. ("Certified Folder").

Certified Folder provides display racks with brochures and magazines that provide information on activities and attractions in the Burbank/Los Angeles area and the Southern California region.

The Agreement is scheduled to expire on January 1, 2022. This Amendment will extend the Agreement term by three years to January 1, 2025, with two one-year extension options.

Motion

Commissioner Ovrom moved approval; seconded by Commissioner Najarian.

Motion Approved

There being no objection, a voice vote was taken to accommodate those Commissioners participating via teleconference. The motion was unanimously approved (3–0).

7. Items for Discussion

a. Authority Financial Procedures

The Committee began discussions regarding certain financial procedures that will be presented for discussion on future Committee meeting agendas.

8. Items for Information (Continued)

b. Committee Pending Items

Staff informed the Committee of future pending items that will come to the Committee for review.

9. Adjournment

There being no further business to discuss, the meeting was adjourned at 12:30 p.m.

**STAFF REPORT PRESENTED TO THE
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
OCTOBER 4, 2021**

**AUDITOR REQUIRED COMMUNICATIONS FOR
THE FY 2021 AUDITS**

Presented by David Kwon
Director, Financial Services

SUMMARY

In accordance with applicable professional standards, the Authority's auditor, Macias Gini & O'Connell LLP ("MGO") has provided the attached letter to the Commission outlining its audit responsibilities, and planned scope and timing of the FY 2021 audits. Also attached is a copy of the annual engagement letter, which substantially conforms to the professional services agreement between the Authority and MGO for audit services. Staff seeks a Finance and Administration Committee ("Committee") recommendation to the Commission that it note and file these communications.

BACKGROUND

In accordance with professional standards issued by the American Institute of Certified Public Accountants ("AICPA"), MGO has issued the attached letter which (1) outlines its responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") related to the Single Audit of federal grant programs; and (2) outlines its planned scope and timing of the FY 2021 audits. The Auditor's responsibilities and management's responsibilities are detailed in the accompanying letters.

As the Committee functions as the Authority's Audit Committee, this letter provides a basic outline of the auditor's responsibilities related to the audits, together with its basic audit approach in accordance with professional standards.

Staff had a conference call with the MGO audit team on July 29, 2021, for an audit planning meeting to discuss in detail any significant accounting, auditing and reporting matters that may affect the FY 2021 audits, as well as to discuss the timing of audit fieldwork and reporting. Audit fieldwork began on August 23, 2021, with the final reports expected to be issued no later than December 9, 2021.

STAFF RECOMMENDATION

Staff seeks a Finance and Administration Committee recommendation to the Commission that it note and file these Auditor communications.



September 3, 2021

To the Board of Commissioners
Burbank-Glendale-Pasadena Airport Authority
2627 N Hollywood Way
Burbank, California 91505

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of the Burbank-Glendale-Pasadena Airport Authority (the Authority) financial statements and compliance as of and for the year ended June 30, 2021.

Communication

Effective two-way communication between our firm and the Board of Commissioners is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the Authority and its respective environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud or abuse, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and nonaudit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of Macias Gini & O'Connell LLP is permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain nonaudit services that may be provided by Macias Gini & O'Connell LLP and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how the Authority functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your operations. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

As part of obtaining an understanding of your business and its environment, we will obtain an understanding of internal control. We will use this understanding to identify risks of material misstatement, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We will also use our understanding of internal controls to identify risks of material noncompliance, which will provide us with a basis for designing and implementing responses to the assessed risks of material noncompliance with laws, regulations, and provisions of agreements that have a direct and material impact on major federal programs. We will also obtain an understanding of the users of compliance reporting in order to establish applicable materiality level(s) for compliance audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements and compliance with applicable requirements for major programs might be susceptible to material noncompliance due to fraud, error, or abuse.

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality both in planning and performing the audit, evaluating the effect of identified misstatements and compliance on the audit, and the effect of uncorrected misstatements, if any, on the financial statements, and in forming the opinions in our reports. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial and compliance information needs of users of the financial statements and compliance reports. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further financial audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements and noncompliance as well as financial statements and noncompliance of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results. We will also accumulate information concerning noncompliance during the audit and communicate information concerning noncompliance in accordance with applicable provisions of *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act; the U.S. Office of Management and Budget Uniform Guidance, the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration for the Authority's Passenger Facility Charge Program; and the *California Civil Code Section 1936*, as amended for the Authority's Customer Facility Charge Program.

Our Approach to Internal Control and Compliance Relevant to the Audit

Our audit of the Authority's basic financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Authority's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue reports on internal control related to the financial statements and major programs. These reports describe the scope of testing of internal control and the results of our tests of internal controls. Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the *Government Auditing Standards* issued by the Comptroller General of the United States, the Single Audit Act, and the Uniform Guidance.

We will issue reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program.

Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed contracts; and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with the requirements of the standards and circular identified above.

Using the Work of Internal Auditors

As part of our understanding of internal control, we will obtain and document an understanding of your internal audit function. We will read relevant internal audit reports issued during the year to determine whether such reports indicate a source of potential error or fraud that would require a response when designing our audit procedures. Because internal auditors are employees, they are not independent and their work can never be substituted for the work of the external auditor. We may, however, alter the nature, timing, and extent of our audit procedures, based upon the results of the internal auditor's work or use them to provide direct assistance to us during the performance of our audit.

Timing of the Audit

We have scheduled preliminary audit field work for the week of August 23, 2021 with final field work commencing the week of September 27, 2021. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the Burbank-Glendale-Pasadena Airport Authority.

This communication is intended solely for the information and use of the Members of the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Macias Gini & O'Connell LLP



Certified
Public
Accountants

September 3, 2021

To the Management of the Burbank-Glendale-Pasadena Airport Authority:

Macias, Gini & O'Connell, LLP (MGO) is pleased to confirm our understanding of the services we are to provide to the Burbank-Glendale-Pasadena Airport Authority (the Authority) as set forth in the Professional Services Agreement dated May 17, 2017 and related Purchase Order No. A6261 between the Authority and MGO for annual professional auditing services (Agreement). This letter summarizes our professional responsibilities under professional auditing standards in addition to management responsibilities.

Audit of the Financial Statements and Internal Control over Financial Reporting

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud, and whether effective internal control over financial reporting was maintained in all material respects. Accordingly, there is some risk that a material misstatement of the financial statements or a material weakness in internal control over financial reporting would remain undetected. Although not absolute assurance, reasonable assurance is a high level of assurance. Also, the audit is not designed to detect error or fraud that is immaterial to the financial statements or deficiencies in internal control over financial reporting that, individually or in combination, are less severe than a material weakness. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of our engagement.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Notwithstanding the unprecedented circumstances resulting from the COVID-19 outbreak, we continue to have a professional obligation to gather sufficient appropriate audit evidence in support of your basic financial statements. Travel restrictions, actual or suspected infections, work from home requirements, changes – such as work force reductions - made to accommodate the current business environments, or other similar matters may result in delays in your employees' ability to provide us the necessary audit evidence on a timely basis or at all. Similarly, such matters may impact our own ability to collect or appropriately assess necessary audit evidence on a timely basis or at all.

Should such events occur, you and MGO will make good faith efforts to complete alternative procedures to gather and assess necessary audit evidence. Such procedures might include, but not be limited to, our respective employees working from home, transferring more audit information via electronic modes (preferably through our secure MGO Exchange portal), and meeting virtually rather than in-person. As to audit evidence transferred via electronic modes, you are responsible to ensure that such evidence is authentic, complete, and accurate for the purposes it is meant to serve. MGO will perform, as it deems necessary, incremental procedures to validate the authenticity, completeness, and accuracy of such audit evidence.

As necessary, and as indicated in the Fees section of the Agreement, we will notify you if such alternative procedures require additional efforts and, if possible, an estimate of the additional cost. In particular, impacts from the COVID-19 outbreak may result in our inability to properly complete the engagement or require us to include such an explanatory or emphasis paragraph in our auditor's report.

We will issue a written report upon completion of our audit of Authority's basic financial statements and its internal control over financial reporting. Our report will be addressed to the Board of Commissioners (governing body) of the Authority. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the Authority's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the Authority has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of those procedures will be to express an opinion on the Authority's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the Authority's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the Authority's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management Responsibilities for the Authority's Annual Financial Audits

In accordance with American Institute of Certified Public Accountants (AICPA) Professional Standard AU-C 210, *Terms of Engagement*, paragraph .06 b), the auditor is required to obtain the agreement of the audit client's management that it acknowledges and understands its management responsibilities as outlined below.

Authority management is responsible for the following:

- 1) Establishing and maintaining effective internal controls, including monitoring ongoing activities.
- 2) The selection and application of accounting principles.
- 3) The preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP).
- 4) Making all financial records and related information available to MGO and for the accuracy and completeness of that information.

5) Providing MGO with:

- Access to all information of which Authority management is aware that is relevant to the preparation and fair presentation of the financial statements;
 - Access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit;
 - Additional information that MGO may request for the purpose of the audit; and
 - Unrestricted access to persons within the Authority from whom MGO determines it necessary to obtain audit evidence.
- 6) Adjusting the financial statements to correct material misstatements and confirming to MGO in a management representation letter that the effects of any uncorrected misstatements aggregated by MGO during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 7) The design and implementation of programs and controls to prevent and detect fraud.
- 8) Informing MGO about all known or suspected fraud affecting the Authority involving:
- Management;
 - Employees who have significant roles in internal control; and
 - Others where the fraud could have a material effect on the financial statements.
- 9) Informing MGO of its knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, grantors, regulators, or others.
- 10) Identifying and ensuring that the Authority complies with applicable laws and regulations.
- 11) Acknowledging management's responsibility for the preparation of the other supplementary information, which we have been engaged to report on, and providing us with the written representation letter that Authority management believes that the supplementary information, including its form and content, is fairly presented in accordance with GAAP.
- 12) Identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.
- 13) Identifying all federal awards received and understanding and complying with the compliance requirements for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance.
- 14) Acknowledging to MGO in the written representation letter that a) management is responsible for the presentation of the schedule of passenger facility charges revenues and expenditures in accordance with the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration; b) management believes the schedule of passenger facility charges revenues and expenditures, including its form and content, is stated fairly in accordance with the Guide; c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and d) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the of the schedule of passenger facility charges revenues and expenditures.
- 15) Acknowledging to MGO in the written representation letter that a) management is responsible for the presentation of the schedule of customer facility charges revenues and expenditures in accordance with the *California Civil Code Section 1936, as amended* (Code); b) management believes the schedule of customer facility charges revenues and expenditures, including its form and content, is stated fairly in

accordance with the Code; c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and d) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the of the schedule of customer facility charges revenues and expenditures.

- 16) Acknowledging to MGO in the written representation letter that a) management is responsible for the presentation of the schedule of expenditure in federal awards in accordance with the Uniform Guidance; b) management believes the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and d) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards
- 17) Establishing and maintaining a process for tracking the status of audit findings and recommendations.
- 18) Providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the "Scope of Services" section of the Agreement. This responsibility includes relaying to MGO corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies.
- 19) Providing management's views on MGO's current findings, conclusions, and recommendations, as well as its planned corrective actions, for the report, and for the timing and format for providing that information.

Authority management agrees to assume all management responsibilities related to the financial statements and related notes, and any other nonaudit services MGO provides. Further, Authority management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them. Because of the inherent limitations of an audit, together with inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned in accordance with U.S. GAAP and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will also include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

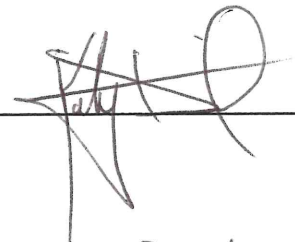
MGO appreciates the opportunity to be of service to the Authority. If you have any questions, please let us know.

Very truly yours,



Peter S. George CPA
Partner, Macias Gini & O'Connell LLP

By your signature below, you acknowledge and understand your responsibilities as management for the Authority's annual financial audit for fiscal year ended June 30, 2021.

By:  9/8/2021

Title: Deputy Executive Director
Finance & Administration

**BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
FINANCE AND ADMINISTRATION COMMITTEE
OCTOBER 4, 2021**

COMMITTEE PENDING ITEMS

Future

1. Award of Hangar Lease – Innova Aviation (Hangar 88)
2. Consent of Assignment – Atlantic Aviation
3. July Treasurer's Report
4. August Treasurer's Report
5. Authority Financial Procedures - Continued