

STATE OF CONNECTICUT

**AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

**AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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May 9, 2002

**AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

We have made an examination of the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2000 and 2001. We have relied on the financial and compliance audits conducted of the Authority by independent public accountants covering these fiscal years, after having satisfied ourselves as to the firm's professional reputation, qualifications and independence, and verifying that generally accepted accounting principles and auditing standards were followed in the audits and in the preparation of the reports. Financial statements are included in the Authority's annual reports for fiscal years ended June 30, 2000 and 2001. In addition to reviewing the audits and related working papers prepared by the independent public accountants, we reviewed the Authority's compliance with State statutory annual reporting requirements. We also reviewed the minutes of the Authority. We conducted our audit in accordance with generally accepted government auditing standards for financial related audits. This report on our examination consists of the following Comments and Recommendations sections.

COMMENTS

FOREWORD:

The Tweed-New Haven Airport Authority was created July 1, 1997 by Public Act 97-271, codified under Title 15, Chapter 267a, of the Connecticut General Statutes.

The Authority was created for the purpose of maintaining and improving Tweed-New Haven Airport. The Authority is a body politic and corporate constituting a public instrumentality and political subdivision of the State, created for the performance of an essential public and governmental function.

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The Authority is governed by a 14-member Board of Directors, each member serving not more than two consecutive four-year terms. Nine of the members are appointed by the mayor of New Haven, two by the mayor of East Haven and three by the South Central Regional Council of Governments. According to Section 15-120j of the General Statutes, the Authority shall manage, maintain, supervise, and operate Tweed-New Haven Airport; conduct the business of a regional airport; charge reasonable fees for the services it performs; enter into contracts, leases, and agreements for goods and equipment and for services with airlines, concessions, counsel, consultants and advisors; contract for construction projects; contract to finance the operations and debt of the Airport and borrow funds for Airport purposes; employ a staff necessary to carry out its functions and purposes; acquire property for Airport purposes; prepare and issue budgets, reports, procedures and audits; and execute all other powers granted.

The Authority is empowered to issue bonds, notes and other obligations for any of its corporate purposes and to fund and refund the same. Debt issued by the Authority is not a debt of the State of Connecticut or any other political subdivision and the State is not obligated for such debt, as specified in Section 15-120l subsection (g) of the General Statutes.

As of June 30, 2001, the members of the Authority's Board of Directors were as follows:

Appointed by New Haven:

Lawrence J. DeNardis, Ph.D.
Kyle Ballou
Pedro Romero
A. Walter Esdaile
Henry E. Parker
Peter Villano
Gerald T. Weiner, Esq.
Hon. Justin Gargiulo, Jr.
Andrew I. Schaffer, Esq.

Appointed by East Haven:

James F. Cirillo, Esq.
Dr. Louis J Pellegrino, DDS

Appointed by the Council of Governments:

John Crawford
Jeffery T. Wack, Ph.D.
Hon. Joanne Wentworth

The following also served on the Board of Directors during the audited period:

Roger F. Joyce
Hon. Anthony Santino
Topper V. Luciani

In addition, pursuant to section 15-120i, of the General Statutes, the Board of Directors shall elect a chairperson from among its members and shall annually elect one of its members as vice-chairperson. Roger F. Joyce served as chairperson until July 1, 2001. He was succeeded by Lawrence J. DeNardis, Ph.D., who was elected chairperson on July 11, 2001.

Edwin V. Selden served as Executive Director throughout the audited period.

Accounting Policies:

The Authority maintains books of accounts for its operations. A description of each fund and its purpose follows:

General Fund – Revenues and expenses applicable to the operations of the Tweed-New Haven Airport are accounted for within this Fund. It is the general operating fund of the Authority and operates under a legal budget as adopted by the Board of Directors.

Passenger Facility Charge Fund – Passenger facility charges (PFC) are accounted for in the Passenger Facility Charge Fund, a special revenue fund. The fees are surcharges added to the airline tickets of passengers, with the approval of the Federal Aviation Administration, for a specific program period, renewable upon request. They are collected for Federally approved airport improvements and expenditures. Projects funded partially or entirely with PFC revenue must meet 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.

Financial and Compliance Audits:

A firm of certified public accountants audited the books and accounts of the Authority during each of the fiscal years under review as required under the provisions of Sections 15-120g through 15-120o of the General Statutes. In order not to duplicate its efforts we have accepted the financial statements as audited, after satisfying ourselves as to the professional reputation, qualifications and independence of the auditors and verifying that generally accepted accounting principles and auditing standards were followed.

The firm of certified public accountants also performed a test of compliance with requirements in accordance with Section 1-122 of the General Statutes. The resulting reports indicated no material instances of noncompliance with respect to those items tested; and with respect to items not tested, nothing came to the firm’s attention that caused it to believe that the Authority had not complied, in all material respects, with those requirements.

The audit reports, covering the fiscal year ended June 30, 2000 and the fiscal year ended June 30, 2001, contained unqualified opinions and disclosed no reportable conditions or audit findings.

RÉSUMÉ OF OPERATIONS:

Operating revenue of the Authority’s General Fund for the fiscal years ended June 30, 2000 and 2001, totaled \$1,857,160 and \$1,955,824, respectively, and are summarized below with the fiscal year ended June 30, 1999 presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Concessions and fees	\$ 421,415	\$ 625,435	\$ 594,565
City of New Haven funding	1,000,000	600,000	600,000
State of Connecticut assistance	600,000	600,000	600,000
Interest and investment income	14,618	31,725	161,259
Miscellaneous	64,028	0	0
Total Revenues	<u>\$ 2,100,061</u>	<u>\$ 1,857,160</u>	<u>\$ 1,955,824</u>

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The chief source of revenue for the Authority was the funding provided by the City of New Haven and the Connecticut Department of Transportation and revenues received from concessions and fees.

During the fiscal years ended June 30, 2000 and 2001, operating expenses of the Authority totaled \$1,671,425 and \$1,913,818, respectively, as summarized below with the fiscal year ended June 30, 1999 presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Personal services	\$ 446,171	\$ 668,843	\$ 710,221
Payroll taxes and employee benefits	138,723	150,515	234,574
Management and performance fees (AMPORTS)	281,404	174,750	180,450
Maintenance	90,105	154,771	188,637
Marketing and promotional expenses	97,845	94,112	180,555
Authority management	0	124,775	103,841
Utilities	121,247	120,925	115,827
Professional fees	18,219	44,255	88,430
Administration	98,115	70,823	80,405
Capital expenditures	35,961	56,672	8,976
Insurance	<u>19,010</u>	<u>10,984</u>	<u>21,902</u>
Total Expenditures	<u>\$ 1,346,800</u>	<u>\$ 1,671,425</u>	<u>\$ 1,913,818</u>

On July 1, 1998, the Authority entered into a management agreement with American Port Services (AMPORTS) to manage the operations of Tweed-New Haven Airport for ten years. AMPORTS receives an annual fixed fee and certain performance and incentive fees. AMPORTS bills the Authority's General Fund for all operating expenses of the Airport.

Expenditures increased by \$324,625 and \$242,393 during the fiscal years ending June 30, 2000 and 2001, respectively. These increases were primarily attributable to increases in personal services, payroll taxes and employee benefits, and maintenance. The payroll taxes and employee benefits include medical and life insurance and pension plan payments.

The fund balance of the Authority's General Fund account increased during the audited period. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2000 and 2001 follows, with the fiscal year ended June 30, 1999 presented for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues	\$ 2,100,061	\$ 1,857,160	\$ 1,955,824
Expenses	<u>1,346,800</u>	<u>1,671,425</u>	<u>1,913,818</u>
Excess of Revenues over Expenses	753,261	185,735	42,006
Interfund transfers	0	0	199,157
Fund Balance beginning of year	<u>20,073</u>	<u>773,334</u>	<u>959,069</u>
Fund Balance, End of Year	<u>\$ 773,334</u>	<u>\$ 959,069</u>	<u>\$ 1,200,232</u>

The fair market value of identifiable tangible property as of June 30, 2001 was approximately \$890,000.

The only other fund maintained by the Authority is the Passenger Facility Charge Fund. During the fiscal years ended June 30, 2000 and 2001, the Fund's revenues totaled \$138,143 and \$39,656, respectively. The sources of revenue for the Fund were passenger facility charges and interest and investment income. The Passenger Facility Charge account was reconciled by the Authority after the account was transferred to the Authority from the City of New Haven. It was determined from the reconciliation that \$87,525 was due to the Authority from the City of New Haven, which it collected on August 19, 1999.

There were no expenditures made from the Fund during the audited period. There was, however, a transfer from the Fund to the Authority's General Fund of the Authority of \$199,157 during the fiscal year ended June 30, 2001.

CONDITION OF RECORDS

Our examination disclosed an area in need of improvement, as discussed below.

Property Control:

Criteria: An organization with property under its control should have prescribed procedures in place that would ensure the proper accounting and safeguarding of said property. The procedures for maintaining such property should, at a minimum, require the recording of the property, the value or cost, the location, and a means of differentiating between said property and similar property not belonging to the organization.

Condition: During our examination of the Authority's inventory records, we performed tests to determine if the records were an accurate reflection of the Authority's physical inventory on hand. The contracted operators of the airport (AMPORTS) also maintain personal property at the airport, which are not maintained on the Authority's inventory records. All of the items on the Authority's inventory records were listed with tag numbers. Many of the items were not listed with costs or estimated values; these items were primarily non-vehicle type property whose value, so we were informed, would be difficult and time consuming to determine.

Out of ten inventory items we traced to their physical location two of those items did not have identification tags upon them identifying them as Tweed-New Haven Airport Authority property, although they were listed on the inventory records as having tags.

Additionally, we determined that there are inventory items on the Authority's inventory records that do not technically belong to the Authority, but rather to AMPORTS. The items in question (computers) were purchased by AMPORTS to aid in the operation of the airport. The Authority is reimbursing AMPORTS for the purchase on a monthly basis; AMPORTS bills the Authority for the monthly depreciation of the items. Once the items are fully depreciated, they will officially belong to the Authority, which should be around June 2002. There is no contractual agreement between AMPORTS and the Authority specifically addressing the purchase of the computers or the change in ownership.

Effect: Deficiencies in the control over the equipment inventory results in a decreased ability to properly safeguard assets and decreases the accuracy of financial reporting.

Cause: The cause may be attributable to a lack of administrative oversight. The Board of Directors has not established clear and effective guidelines under which fixed assets should be maintained.

Recommendation: The Authority should establish guidelines for maintaining equipment and inventory records that would include tagging, valuation, an annual physical inventory, and clear identification as to what is actually Authority property.

Auditee Response: “The Authority and its agent, AMPORTS, consider the maintenance of accurate records describing and identifying assets as a basic principal of good management. Therefore, an accurate and maintained Assets Inventory List is kept on all property valued at \$100 or more.

Since [the] Auditor made no comments relating to the condition or inadequacy of the Assets Inventory List, we, therefore, infer and assume that the Assets Inventory List was in satisfactory condition.

We consider that Auditor’s comments as constructive criticism and have taken the necessary steps to correct what we consider to be non-material issues relating to the soundness of financial systems under which the Authority and its agent, AMPORTS are operating.

As a result of the Auditor’s recommendation the Assets Inventory List procedures have been changed and the Purchasing Manual has been amended with the following:

Asset Listing:

If an item has a value of \$100 or more there must be an asset tag attached to the item after purchased. The item must be listed in the asset inventory list.”

*Auditors Concluding
Comments:*

It should be noted that when the Authority took control of Tweed-New Haven Airport’s assets from the City of New Haven, the Authority’s agent, AMPORTS, indicated that the inventory records were in disarray. The inventory records did not indicate the value of inventory items, many of the assets were not listed on the inventory, and virtually none of the inventory items were tagged with identification indicating ownership.

The Authority has made significant efforts to reconstruct inventory records and identify and value airport property, but it should continue its efforts to assign value to all assets as a means of safeguarding those assets relative to insurance protection.

RECOMMENDATIONS

As a result of our examination we make the following recommendation:

- 1. The Authority should establish guidelines for maintaining equipment and inventory records that would include tagging, valuation, an annual physical inventory, and clear identification as to what is actually Authority property.**

Comments:

Deficiencies included some equipment not tagged, property listed as belonging to the Authority though it was not, and no indication on the inventory record as to the cost or fair market value of many items.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesy and cooperation extended to our office by the personnel of the Tweed-New Haven Airport Authority during the course of our examination.

Mark Dickerson
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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