

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
TWEED-NEW HAVEN AIRPORT AUTHORITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007***

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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January 23, 2009

**AUDITORS' REPORT  
TWEED-NEW HAVEN AIRPORT AUTHORITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007**

We have made an examination of the financial records of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2006 and 2007. 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 the fiscal years ended June 30, 2006 and 2007. 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, Condition of Records, 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.

## Auditors of Public Accounts

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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, 2007, 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  
Eugene Harris  
Daniel Adams  
Andrew J. Rizzo, Jr.  
Kelly Murphy  
Hon. Arlene DePino  
Bruce Alexander

Appointed by East Haven:

Marcia J. Munro  
Peter Leonardi

Appointed by the Council of Governments:

Don McGregor  
Diane L. Wishnafski  
Hon. Joanne Wentworth

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

Gerald T. Weiner, Esq.  
Henry Fernandez

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. Lawrence J. DeNardis, Ph.D., served as chairperson throughout the audited period and Joanne Wentworth served as the vice-chairperson.

The Authority established a tri-partite organization during the 2002-2003 fiscal year and named Susan Godshall, Administrative Director; Robert Santy, Public Strategy Management; and Richard Lamport, Airport Manager, each of them serving in their respective positions throughout the audited period.

It should be noted that subsequent to the end of the audited period the Authority underwent significant changes in personnel. The Chairman of the Board resigned from the Authority during September 2007 and Mark Volchek became the Chairman; Vice-Chairman Joanne Wentworth's appointment expired June 30, 2007, and Gerald T. Wiener, whose appointment ended in 2006, was reappointed in 2007 and became Vice-Chairman. Rick Lamport stopped serving as Airport Manager during October 2007; Eric Billowitz served as interim Airport Manager from November 1, 2007 until Lori Hoffman-Soares became Airport Manager, effective May 1, 2008; Robert Santy's Public Strategy Management services to the Authority ended during April 2007. The position of Executive Director, which had been discontinued in 2002, was reestablished by the Authority and Tim Larson was hired as Executive Director, effective February 5, 2008.

**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. PFC's are fees collected for Federally approved airport improvements and expenditures. 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. 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 the Authority's regulations concerning affirmative action, personnel practices, the purchase of goods and services, and the use of surplus funds in accordance with Section 15-120o, subsection (b), 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, 2006 and the fiscal year ended June 30, 2007, contained unqualified opinions and disclosed no reportable conditions or audit findings.

**RÉSUMÉ OF OPERATIONS:**

Operating revenues of the Authority's General Fund for the fiscal years ended June 30, 2006 and 2007, totaled \$2,581,650 and \$2,315,566, respectively, and are summarized below with the fiscal year ended June 30, 2005, presented for comparative purposes:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
State of Connecticut subsidy	\$ 600,000	\$ 600,000	\$ 600,000
Concessions, fees and rentals	902,979	916,831	776,914
City of New Haven funding	900,000	900,000	900,000
Interest and investment income	23,186	34,850	36,508
Miscellaneous	<u>269,401</u>	<u>129,969</u>	<u>2,144</u>
<b>Total Revenues</b>	<b><u>\$ 2,695,566</u></b>	<b><u>\$ 2,581,650</u></b>	<b><u>\$ 2,315,566</u></b>

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

During the fiscal years ended June 30, 2006 and 2007, operating expenses of the Authority totaled \$2,768,807 and \$2,567,971, respectively, as summarized below with the fiscal year ended June 30, 2005, presented for comparative purposes:

	<b>Fiscal Year Ended June 30,</b>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Salaries and benefits	\$ 803,727	\$ 900,232	\$ 931,030
Management and performance fees (AvPORTS)	199,996	246,000	212,384
Maintenance	398,960	469,759	238,481
Marketing and promotional expenses	394,339	338,961	159,289
Authority management	213,674	208,740	177,044
Utilities	168,644	160,382	181,994
Professional fees	71,333	111,759	372,650
Administration and office expenses	73,467	60,148	35,305
Insurance	51,592	55,291	49,621
Security	<u>194,683</u>	<u>217,535</u>	<u>210,173</u>
<b>Total Expenditures</b>	<b><u>\$ 2,570,415</u></b>	<b><u>\$ 2,768,807</u></b>	<b><u>\$ 2,567,971</u></b>

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. During the fiscal year ended June 30, 2003, AMPORTS was purchased by Macquarie Corporate Finance (USA) Inc. and AMPORTS became AvPORTS, which, per the original contract with

AMPORTS, receives an annual fixed fee and certain performance and incentive fees. AvPORTS bills the Authority's General Fund for all operating expenses of the Airport.

Expenditures increased by \$198,392 during the fiscal year ending June 30, 2006, and decreased by \$200,836 during the fiscal year ending June 30, 2007. The increase in the 2005-2006 fiscal year was primarily attributable to increases in salaries and benefits, maintenance, and management and performance fees and was offset slightly by decreases in marketing and promotional expenses and administration and office expenses. The decrease from the 2005-2006 fiscal year to the 2006-2007 fiscal year was primarily attributable to decreases in maintenance costs, marketing and promotional expenses, and authority management expenses, and was offset slightly by an increase in professional fees, which increased by more than 200 percent, from \$111,759 to \$372,650. The professional fees increased because of significantly higher legal services fees due to extensive legal requirements to secure Department of Environmental Protection permits for runway safety area improvements.

The fund balance of the Authority's General Fund account increased during the 2005-2006 fiscal year and decreased during the 2006-2007 fiscal year. A summary of the changes in the General Fund balance for the fiscal years ended June 30, 2006 and 2007, follows with the fiscal year ended June 30, 2005, presented for comparative purposes:

	<b>Fiscal Year Ended June 30,</b>		
	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>
Revenues	\$ 2,695,566	\$ 2,581,650	\$ 2,315,566
Expenses	<u>2,570,415</u>	<u>2,768,807</u>	<u>2,567,971</u>
Excess of Revenues over Expenses	125,151	(187,157)	(252,405)
Fund Balance, beginning of year	905,696	1,030,847	1,292,838
Inter-fund transfer	<u>0</u>	<u>449,148</u>	<u>106,359</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 1,030,847</u></b>	<b><u>\$ 1,292,838</u></b>	<b><u>\$ 1,146,792</u></b>

The inter-fund transfers during fiscal years 2006 and 2007 were transfers from the Passenger Facilities Charge Fund for specific projects approved by the FAA, which includes security fencing and property acquisitions for controlling obstructions in protected air space. These transferred funds are actually expenditures of the Passenger Facilities Charge Fund.

The fair market value of identifiable tangible property as of June 30, 2007, was approximately \$1,000,000.

The only other fund maintained by the Authority is the Passenger Facility Charge Fund. During the fiscal years ended June 30, 2006 and 2007, the Fund's revenues totaled \$85,361 and \$178,075, respectively. The sources of revenue for the Fund were passenger facility charges and interest and investment income.

There were expenditures of \$449,148 and \$249,304 made from the Passenger Facility Charge Fund during the 2005-2006 and 2006-2007 fiscal years, respectively, which were either paid directly to vendors from the Fund's checking account or transferred to the General Fund as reimbursements of expenditures. The expenditures during both fiscal years were for various FAA approved airport improvement projects.



## CONDITION OF RECORDS

Our examination of the records of the Tweed-New Haven Airport Authority disclosed one matter of concern requiring disclosure and Authority attention, as discussed below.

### **Property Control:**

*Criteria:* Good business practice dictates that in order to ensure reasonable control over the safeguarding of personal property from misuse, abuse, and theft, an internal control system should have procedures in place that describe the manner in which personal property may be disposed of. Such internal controls should include procedures for authorizing and documenting the surplus of property and procedures for following-up on lost or stolen property.

*Condition:* The Authority's inventory records indicated that many personal property items listed on the inventory records prior to the June 2008 physical inventory were disposed of and others were removed from the inventory without there being procedures in place for disposing of property or investigating unaccounted for property. There was no indication under whose authority the items were disposed of or the method of disposition. There was no documentation, beyond the indication that the property was no longer included in the inventory of the Authority, to substantiate the disposal of the property or the removal from the inventory records.

*Effect:* Personal property items could be removed from the airport's inventory records without the knowledge and approval of the Board of Directors or airport management. Resources of the Authority, in the form of personal property, are not being reasonably safeguarded.

*Cause:* The Authority does not have internal control procedures for the disposing of surplus personal property. There are no procedures that require management to follow-up on, or investigate, missing property.

*Recommendation:* The Authority should establish procedures for identifying surplus property and disposing of such property, which should include a process for authorizing and documenting property dispositions and investigating any missing property.

*Authority Response:* "The Airport Authority is pleased to have the advice of the Auditors of Public Accounts to improve our internal procedures. We note for the record that the draft finding addresses good business practices and does not indicate that surplus or disposed

items have in any way been misappropriated or identified as missing. We would appreciate your inclusion of this point in the final Audit.

The Authority has had an Asset Policy for many years, although perhaps less specific in its terms than you recommend. The policy was revised and improved this summer, and I believe is now consistent with your recommendations with regard to property disposal. The revised Asset Policy is attached for your reference.

In addition, we have established an Asset Form for record-keeping purposes which clearly documents the date and authorization for any disposed items. We will use this form in the future when surplus property is disposed of. The Asset Form is also attached.

We agree that it is a good idea to have a policy in place regarding investigation of any missing property, should the need for such a policy arise in the future. We will develop such a policy as an addition to the Asset Policy within the next 90 days.”

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

There were no prior audit recommendations.

*Current Recommendations:*

- 1. The Authority should establish procedures for identifying surplus property and disposing of such property, which should include a process for authorizing and documenting property dispositions and investigating missing property.**

Comment:

Personal property has been identified as having been disposed of and it has been removed from the inventory records without any documentation of the disposal. There are no procedures in place for investigating property determined to be missing.

**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