

STATE OF CONNECTICUT



*AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 AND 2016*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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May 24, 2019

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Tweed-New Haven Airport Authority. The objectives of this review were to evaluate the department's internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2015 and 2016.

The key finding is presented below:

<p>Finding 1 Page <u>7</u></p>	<p>Tweed-New Haven Airport Authority bylaws state that any payment in excess of one-thousand dollars (\$1,000) requires 2 signatures that shall be a combination of officers and/or the executive director. Our reviews of expenditures disclosed that the authority processed 2 payments of greater than \$1,000 with only 1 authorized signature. The authority processed a total of \$28,262 without the appropriate authorizations. We recommend that the authority establish procedures to ensure that all purchases are approved in accordance with its bylaws.</p>
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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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May 24, 2019

AUDITORS' REPORT TWEED-NEW HAVEN AIRPORT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

We have audited certain operations of the Tweed-New Haven Airport Authority in fulfillment of our duties under Sections 15-120o(c) and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015 and 2016. The objectives of our audit were to:

1. Evaluate the authority's internal controls over significant management and financial functions;
2. Evaluate the authority's compliance with policies and procedures internal to the authority and promulgated by other state agencies, as well as certain legal provisions, including but not limited to whether the authority complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants, and other financial assistance, as applicable; and
3. Evaluate the effectiveness, economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed

procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides that basis.

The accompanying Resume of Operations is presented for informational purposes. This information was obtained from the authority's audited financial statements.

For the areas audited, we identified:

1. A deficiency in internal controls;
2. No apparent noncompliance with legal provisions; and
3. No need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Tweed-New Haven Airport Authority.

COMMENTS

FORWARD

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

According to Section 15-120i (b) of the General Statutes, the authority is governed by a board of directors consisting of 15 members, each member serving not more than 2 consecutive 4-year terms. The number of members appointed by each appointing authority is as follows: 8 by the mayor of New Haven; 5 by the mayor of East Haven; and 2 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 service 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 find and refund the same. Debt issued by authority is not debt of the State of Connecticut or any other political subdivision and the state is not obligated for such debt, as specified in Section 15-1201 (g) of the General Statutes. No bonds have been issued by the authority.

As of June 30, 2016, the members of the authority’s board of directors were as follows:

Appointed by New Haven	Appointed by East Haven	Appointed by South Central Regional Council of Governments
Kevin Arnold	Daniel Adams	Hon. Thomas Scarpati
Richard Jacob	Paul Constantinople, Jr	Matthew T. Hoey III
Mark Sklarz	Paul Constantinople	
Vincent Petrini	Karen O’Connell	
Serena Neal-Sanjurjo	Peter G. Leonardi	
Gerald T. Weiner		
John Picard		

Pursuant to Section 15-120i of the General Statutes, the board of directors elects a chairperson from among its members and annually elects 1 of its members as vice-chairperson. John Picard served as chairperson and Gerald T. Weiner served as vice-chairperson during the audited period.

The airport is staffed via a management contract with AFCO AvPorts Management, LLC., and an executive director appointed by the authority. Tim Larson has been the executive director since February 5, 2008 and continued to serve in that position throughout the audited period. Diane Jackson started as airport manager June 21, 2014 and continued to serve in that position throughout the audited period.

Fund Structure

The activities of the authority are accounted for in 3 separate funds. A description of each fund and its purpose, as described in the Notes to the Authority’s Financial Statements, follows:

General Fund – Revenues and expenses applicable to the operations of Tweed-New Haven Airport are accounted for within the General 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 are accounted for in the Passenger Facility Charge Fund, a special revenue fund. Passenger facility charges are fees collected for federally approved airport improvements and expenditures. The fees are surcharges added to passenger airline tickets, with the approval of the Federal Aviation Administration (FAA) for a specific program period, renewable upon request. Projects funded partially or entirely with passenger facility charges must meet at least 1 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) Create opportunities for enhanced competition between or among carriers.

Restricted Capital Project Fund – This fund is comprised of Federal Aviation Administration (FAA) and Connecticut Department of Transportation reimbursements the authority received for prior payments it made to contractors and consultants from its capital bond funds. The resources in this fund are restricted to capital project use.

Financial and Compliance Audits

We relied on the financial and compliance audits of the authority conducted by independent public accountants covering the fiscal years ended June 30, 2015 and 2016. The audit reports covering these fiscal years contained unqualified opinions and disclosed no reportable conditions or audit findings.

RÉSUMÉ OF OPERATIONS

General Fund

Operating revenues of the authority’s General Fund for the fiscal years ended June 30, 2015 and 2016, respectively, are summarized below, with the fiscal year ended June 30, 2014 presented for comparative purposes. The information was obtained from the authority’s audited financial statements:

Revenues:	Fiscal Year Ended June 30,		
	2014	2015	2016
State of Connecticut Subsidy	\$1,500,000	\$1,500,000	\$1,500,000
Concessions, Fees and Rentals	853,767	896,206	988,894
City of New Haven Funding	325,000	325,000	325,000
Interest and Investment Income	253	158	145
Total General Fund Revenues	\$2,679,020	\$2,721,364	\$2,814,039

Expenses of the authority’s General Fund for the fiscal years ended June 30, 2015, and 2016, respectively, are summarized below, with the fiscal year ended June 30, 2014 presented for comparative purposes. The expenses are broken down into the categories of Authority Expenses and Airport Operations. The information was obtained from the authority’s audited financial statements:

	Fiscal Year Ended June 30,		
Authority Expenses:	2014	2015	2016
Management and Performance Fees	\$ 247,910	\$ 255,344	\$ 263,004
Authority Management	186,581	164,870	138,611
Professional Fees	157,734	112,601	215,149
Marketing and Promotional	21,389	31,107	46,381
AvPorts ASD Fund	90,477	93,192	95,988
Airport Operations:			
Salaries and Benefits	1,211,439	1,210,020	1,168,397
Maintenance	211,119	204,377	219,013
Utilities	121,420	112,960	238,215
Security	4,058	6,094	9,408
Administration, Office and Marketing	492,361	390,918	131,860
Bad Debts	1,783	-	-
Insurance	49,196	66,918	60,136
Total Expenses	\$2,795,467	\$2,648,401	\$2,586,162

The authority currently has an agreement with AFCO AvPorts Management LLC to manage the operations of Tweed-New Haven Regional Airport through June 30, 2018. The authority approved the assignment of this contract from Macquarie Aviation North America 2, Inc. on April 9, 2008. AFCO receives an annual fixed fee and is entitled to various incentive fees under certain circumstances. AFCO bills the authority's General Fund for all of the airport's operating expenses.

A summary of the changes in the General Fund accounts for the fiscal years ended June 30, 2015 and 2016 follows, with the fiscal year ended June 30, 2014 presented for comparative purposes. The information was obtained from the authority's audited financial statements:

	Fiscal Year Ended June 30,		
	2014	2015	2016
Revenues	\$ 2,679,020	\$ 2,721,364	\$ 2,814,039
Expenses	<u>\$ 2,795,467</u>	<u>\$ 2,648,401</u>	<u>\$ 2,586,162</u>
Excess Revenue over Expenses	(116,447)	72,963	227,877
Fund Balance, Beginning of Year	(629,800)	(746,247)	(673,284)
Inter-fund Transfers	-	-	<u>(14,856)</u>
Fund Balance, End of Year	\$ (746,247)	\$ (673,284)	\$ (460,263)

As detailed above, fund balances in the authority's General Fund increased by \$72,963 and \$213,021 during the fiscal years ended June 30, 2015 and 2016, respectively. This increase is the result an increase in concession, fee, and rental revenue and decreases in several categories of expenses. One increase of note is the doubling of utilities costs. Per the meeting minutes of January

2016, the frequent inclement weather led to a substantial increase in costs related to snow removal, runway snow treatments, and associated overtime.

The Notes to the Financial Statements indicate that the fair market value of identifiable tangible property as of June 30, 2016 was approximately \$1,500,000. The authority has title to and can use this property, and any subsequent assets acquired, in connection with its operation of the airport. However, the lease and operating agreement the authority has with the City of New Haven states that upon expiration or earlier termination of the agreement, the assets shall immediately and automatically vest with the City of New Haven.

Passenger Facility Charge Fund

As previously indicated, passenger facility charges are accounted for in the Passenger Facility Charge Fund, a special revenue fund. This fund's expenditures are for various FAA approved airport improvement projects. During the fiscal years ended June 30, 2015 and 2016, the fund's revenues totaled \$148,453 and \$125,692, respectively. Revenue consisted of passenger facility charges and interest and investment income. There were expenditures of \$77,024 during the 2014-2015 fiscal year and no expenditures during the 2015-2016 fiscal year. As of June 30, 2016, the fund had a restricted fund balance of \$263,904.

Restricted Capital Project Fund

The authority created this fund to account for the restricted funds received from governmental agencies for capital projects. The fund is comprised of FAA and State Connecticut Airport Authority reimbursements the authority received for prior payments it made to contractors and consultants from capital bond funds the City of New Haven allocated to the authority, or, in some instances, from airport operating funds. During the 2014-2015 and 2015-2016 fiscal years, the fund's revenues totaled \$746 and \$73,804, respectively. Expenditures from the fund totaled \$60,873 and \$161,318 during the 2014-2015 and 2015-2016 fiscal years, respectively. In fiscal year 2014-2015, there was a fund transfer from the Passenger Facility Charge Fund of \$143,016. In fiscal year 2015-2016, there were fund transfers from the General Fund and the Passenger Facility Charge Fund of \$14,856 and \$152,894, respectively. As of June 30, 2016, the fund had a restricted fund balance of \$2,565,441.

Other State Financial Assistance

In addition to the \$1,500,000 in operating subsidies the State of Connecticut provided to the authority in the each of the 2014-2015 and 2015-2016 fiscal years, the authority also received project expenditure reimbursements totaling \$30,032 and \$83,222 respectively. State funds were authorized under Public Acts 13-184 and 15-244 for the development and improvement of general aviation airport facilities, including grants-in-aid to municipal airports, excluding Bradley International Airport general aviation improvements.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of Tweed-New Haven Airport Authority operations disclosed the following area requiring improvement:

Failure to Authorize Expenditures in Accordance with Authority Bylaws

Criteria: Article VIII Section 2 of the Bylaws of the Tweed-New Haven Airport Authority states that any payment in excess of one-thousand dollars (\$1,000) requires 2 signatures that shall be a combination of officers and/or the executive director.

Condition: Our reviews of expenditures disclosed that the authority processed 2 payments of greater than \$1,000 with only 1 authorized signature. The authority processed a total of \$28,262 without the appropriate authorizations.

Effect: A failure to follow bylaws could lead to improperly expended funds.

Cause: Management failed to properly adhere to existing bylaws.

Recommendation: Tweed-New Haven Airport Authority management should implement procedures to ensure that payments are processed and authorized in accordance with the authority bylaws.

Agency Response: “We have since changed banks to ensure this will not happen again. We take the process very seriously and took immediate action after learning of this situation.”

RECOMMENDATIONS

Status of Prior Audit Recommendations

There were no recommendations presented in our prior audit.

Current Recommendations

- 1. Tweed-New Haven Airport Authority management should implement procedures to ensure that payments are processed and authorized in accordance with the authority bylaws.**

Comment:

Our reviews of expenditures disclosed that the authority processed 2 payments of greater than \$1,000 with only 1 authorized signature. The authority processed a total of \$28,262 without the appropriate authorizations.

ACKNOWLEDGMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Jennifer Courbin

CONCLUSION

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



Jennifer N. Courbin
Auditor I

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor