

STATE OF CONNECTICUT



*AUDITORS' REPORT
TWEED-NEW HAVEN AIRPORT AUTHORITY
FISCAL YEARS ENDED JUNE 30, 2017, 2018, AND 2019*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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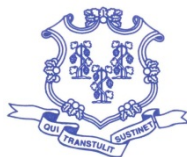
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EXECUTIVE SUMMARY

In accordance with the provisions of Sections 15-120o (c) and 2-90 of the Connecticut General Statutes, we have audited certain operations of the Tweed-New Haven Airport Authority for the fiscal years ended June 30, 2017, 2018, and 2019. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

Page 7	Our review of the authority’s board minutes and member appointment letters disclosed that 3 out of 15 board members served for more than the allowed two consecutive terms. In addition, we could not locate one board member’s appointment letter. The Tweed-New Haven Airport Authority should ensure that its board members serve in accordance with Section 15-120i(b) of the General Statutes. (Recommendation 1.)
Page 7	AvPorts manages the airport operating staff, and prepares and approves the airport’s payroll. Labor costs are subject to budgetary provisions approved by the authority, but the authority does not independently review the payroll. The Tweed-New Haven Airport Authority should regularly review the airport’s payroll registers prepared by a third-party vendor before payments are issued to employees. (Recommendation 2.)
Page 8	The authority processed 7 payments over \$2,000 with only a single authorized signature. The payments totalled \$37,779. The Tweed-New Haven Airport Authority should enforce the dual signature requirement for all payments exceeding \$2,000 as mandated in its bylaws. (Recommendation 3.)
Page 9	The airport’s operating staff process charges to the Tweed and Capital accounts. They are employed by AvPort, but authorized by the Tweed-New Haven Airport Authority. The authority did not exercise sufficient oversight over the charges to the airport's accounts managed by a third-party vendor. The Tweed-New Haven Airport Authority should improve oversight by independently reviewing transactions processed by AFCO AvPorts Management, LLC, through the authority’s AvPort account. (Recommendation 4.)
Page 10	The authority did not properly maintain its property records, prepare inventory reports, conduct physical inventories, or formally approve the disposition of assets, as required by its asset control policy. The Tweed-New Haven Airport Authority should follow the procedures set forth in its asset control policy adopted under Section 15-120k of the General Statutes. (Recommendation 5.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

CLARK J. CHAPIN

June 2, 2021

AUDITORS' REPORT TWEED-NEW HAVEN AIRPORT AUTHORITY FISCAL YEARS ENDED JUNE 30, 2017, 2018 AND 2019

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, 2017, 2018 and 2019. 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 or promulgated by other state agencies, as well as certain legal provisions; including whether the authority complied with its regulations concerning affirmative action, personnel practices, the purchases 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. Our testing is not designed to project to a population unless specifically stated. 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 contracts, grant agreements, 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying *Résumé of Operations* is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the authority's management and the state's information systems, and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified a need for improvement in management practices and procedures that we deemed to be reportable.

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

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 General Statutes.

The authority was created to maintain and improve Tweed-New Haven Airport. The authority is a body politic and corporate constituting a public instrumentality and political subdivision of the state, created to perform an essential public and governmental function.

According to Section 15-120i(b) of the General Statutes, the authority is governed by a 15-member board of directors, each serving not more than 2 consecutive 4-year terms. Eight board members are appointed 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 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 authorized to issue bonds, notes, and other obligations for any of its corporate purposes. Debt issued by the 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 15-120 1(g) of the General Statutes. No bonds have been issued by the authority.

As of June 30, 2019, the members of the authority’s board of directors were as follows:

New Haven	East Haven	South Central Regional Council of Governments
Kevin Arnold Richard Jacob Serena Neal-Sanjurjo Vincent Petrini John Picard Mark Sklarz Gerald T. Weiner J.Peter Wilson	Daniel Adams Karen O’Connell Paul Constantinople, Jr. Peter G. Leonardi Anthony J. Verderame	Matthew T. Hoey III David White

Paul Constantinople, Sr. and Thomas Scarpati also served on the board during the audited period.

Pursuant to Section 15-120i of the General Statutes, the board of directors elects a chairperson from among its members and annually elects one 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 served as executive director from February 2008 until his resignation in January 2019. Matthew T. Hoey III was appointed interim executive director in February 2019 and he continued to serve in that capacity until the appointment of Sean Scanlon as executive director, effective November 2019. Diane Jackson served as airport manager from February 2008 until her resignation in March 2018. Jeremy Nielson assumed the airport manager position in July 2018, and he continues to serve in that position.

Fund Structure

The activities of the authority are accounted for in three 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 functions under a legal budget 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 added as surcharges to passenger airline tickets, with the approval of the Federal Aviation Administration (FAA) for a specific program period, and are renewable upon request. Projects funded partially or entirely with passenger facility charges 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) 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 to contractors and consultants from its capital bond funds. The resources in this fund are restricted to capital project use.

Financial Audits

We relied on the financial audits of the authority conducted by independent public accountants covering the fiscal years ended June 30, 2017, 2018 and 2019. The audit reports covering these fiscal years contained unqualified opinions and disclosed no reportable conditions or audit findings.

RÉSUMÉ OF OPERATIONS

General Fund

General Fund operating revenues for the fiscal years ended June 30, 2017, 2018 and 2019, respectively, are summarized below. The information was obtained from the authority’s audited financial statements:

Revenues:	Fiscal Year Ended June 30,		
	2017	2018	2019
State of Connecticut Subsidy	\$ 1,480,000	\$ 1,500,000	\$ 1,500,000
Concessions, Fees and Rentals	948,817	960,490	1,061,560
City of New Haven Funding	325,000	325,000	325,000
Interest and Investment Income	375	344	567
Total General Fund Revenues	\$ 2,754,192	\$ 2,785,834	\$ 2,887,127

General Fund expenses for the fiscal years ended June 30, 2017, 2018 and 2019, respectively, are summarized below. The information was obtained from the authority’s audited financial statements:

	Fiscal Year Ended June 30,		
	2017	2018	2019
Authority Expenses:			
Management and Performance Fees	\$ 270,894	\$ 279,021	\$ 280,000
Authority Management	132,490	137,867	96,202
Professional Fees	257,792	150,717	146,679
Marketing and Promotional	38,914	35,395	26,610
AvPorts ASD Fund	98,867	101,833	75,000
Airport Operations:			
Salaries and Benefits	1,256,373	1,259,947	1,375,727
Maintenance	237,727	310,412	305,519
Utilities	237,287	282,543	304,259
Security	11,467	9,269	8,609
Administration, Office and Marketing	123,262	118,401	145,815
Bad Debts	990	-	-
Insurance	59,838	62,070	69,123
Total General Fund Expenses	\$ 2,725,901	\$ 2,747,475	\$ 2,835,543

The authority has an agreement with AFCO AvPorts Management LLC to manage the operations of Tweed-New Haven Airport through June 30, 2024. AFCO receives a fixed annual fee and is entitled to various incentives in 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, 2017, 2018 and 2019 follows. The information was obtained from the authority's audited financial statements:

	Fiscal Year Ended June 30,		
	2017	2018	2019
Revenue	\$ 2,754,192	\$ 2,785,834	\$ 2,887,127
Expenses	2,725,901	2,747,475	2,835,534
Excess Revenue over Expenses	28,291	38,359	51,584
Fund Balance, Beginning of Year	(460,263)	(443,102)	(404,743)
Inter-fund Transfers	(11,130)	-	(1,639)
Fund Balance, End of Year	\$ (443,102)	\$ (404,743)	\$ (354,798)

As detailed above, fund balances grew by \$38,359 and \$49,945 during the fiscal years ended June 30, 2018 and 2019, respectively, as a result of increases in concession, fee, and rental revenue, and decreases in several categories of expenses.

The Notes to the Financial Statements indicate that the fair market value of identifiable tangible property as of June 30, 2019 was approximately \$1,500,000. The authority has title to and can use this property, and any subsequently acquired assets, in connection with its operation of the airport. However, the authority's lease and operating agreement 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

The authority accounts for passenger facility charges in the Passenger Facility Charge Fund. The fund's expenditures are for various FAA-approved airport improvement projects. Revenues totaled \$119,413, \$160,376 and \$189,472 during the fiscal years ended June 30, 2017, 2018 and 2019, respectively, and consisted of concession, fee, rental, interest, and investment income. Expenditures totaled \$0, \$956 and \$20 during the fiscal years ended June 30, 2017, 2018 and 2019, respectively. As of June 30, 2019, the fund had a restricted fund balance of \$219,462.

Restricted Capital Project Fund

The authority created this fund to account for restricted funds received from governmental agencies for capital projects. The fund is comprised of FAA and State Connecticut Airport Authority reimbursements that the authority received for prior payments made to contractors and consultants from capital bond funds allocated by the City of New Haven, or, in some instances, from airport operating funds. Revenues totaled \$1,204, \$13,266 and \$1,150 during the fiscal years ended June 30, 2017, 2018 and 2019, respectively. Expenditures totaled \$135,410, \$286,669 and \$421,794 during the fiscal years ended June 30, 2017, 2018 and 2019, respectively. In the fiscal year ended June 30, 2017, the authority transferred funds from the General Fund and the Passenger Facility Charge Fund of \$11,130 and \$128,786, respectively. In the fiscal year ended June 30, 2018, there was a fund transfer from the Passenger Facility Charge Fund of \$154,932. In the fiscal year ended June 30, 2019, there were fund transfers from the General Fund and the Passenger Facility Charge Fund of \$1,639 and \$229,009, respectively. As of June 30, 2019, the fund had a restricted fund balance of \$2,262,684.

Other State Financial Assistance

In addition to the approximately \$1,500,000 in operating subsidies the State of Connecticut provided to the authority in each of the fiscal years ended June 30, 2017, 2018, and 2019, the authority received project expenditure reimbursements of \$3,578, \$155,865 and \$232,978, 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, except for Bradley International Airport.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Tweed-New Haven Airport Authority disclosed the following 5 recommendations, of which one has been repeated from the previous audit:

Noncompliance with Governance Requirements

<i>Criteria:</i>	Section 15-120i(b) of the General Statutes states that the Tweed-New Haven Airport Authority shall be governed by a 15-member board of directors, each member serving not more than two consecutive four-year terms.
<i>Condition:</i>	Our review of Tweed-New Haven Airport Authority board minutes and member appointment letters for the audited period disclosed that 3 out of 15 board members served for more than the allowed two consecutive terms. In addition, we could not locate one board member's appointment letter.
<i>Effect:</i>	The authority did not comply with statutory governance requirements, which could raise questions regarding the authority of the board's directives.
<i>Cause:</i>	The authority did not have adequate internal controls in place over the appointment of its board members.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Tweed-New Haven Airport Authority should ensure that its board members serve in accordance with Section 15-120i(b) of the General Statutes. (See Recommendation 1.)
<i>Agency Response:</i>	"Upon being made aware of this finding, the Executive Director contacted the New Haven and East Haven mayors, informing them of the term limits for board directors as outlined in the statutory requirements. All missing or outdated Appointment Letters for each board director has been updated as necessary."

Inadequate Accountability Over Payroll Expenditures

<i>Background:</i>	AFCO AvPorts Management, LLC. (AvPorts) manages Tweed-New Haven Airport under a fee-based contract with the Tweed-New Haven Airport Authority. Under the terms of the contract, AvPorts employs and pays the airport's operating staff and is reimbursed by the authority.
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<i>Criteria:</i>	An independent review process is a key control over financial transactions. The payroll register, which provides a record of all pay details for employees during a specific pay period, should be reviewed and formally approved by independent personnel before payments are issued to employees.
<i>Condition:</i>	AvPorts manages the airport operating staff , and prepares and approves the airport’s payroll. Labor costs are subject to budgetary provisions approved by the authority, but the authority does not independently review the payroll.
<i>Context:</i>	The authority reimbursed AvPORT for salary and benefit costs totaling \$1,256,373, \$1,259,947, and \$1,375,727 for the fiscal years ended June 30, 2017, 2018, and 2019, respectively.
<i>Effect:</i>	The authority is not exercising adequate oversight over payroll transactions, which reduces the assurance that they are necessary and reasonable.
<i>Cause:</i>	We could not readily determine why the authority did not review the airport operating staff payroll.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The Tweed-New Haven Airport Authority should regularly review the airport’s payroll registers prepared by AFCO AvPorts Management, LLC. before payments are issued to employees. (See Recommendation 2.)
<i>Agency Response:</i>	“Upon being notified of this finding, procedures were implemented to ensure the Executive Director reviews and approves, via signature, all payroll transactions submitted by AvPORTS for reimbursement.”

Failure to Authorize Expenditures in Accordance with Authority Bylaws

<i>Criteria:</i>	Article VIII Section 2 of the Bylaws of the Tweed-New Haven Airport Authority states that payments exceeding \$1,000 require two signatures. Board Resolution #456 increased the threshold to \$2,000 , effective September 27, 2017. The authority’s officers and the executive director have signatory authority.
<i>Condition:</i>	The authority processed 7 payments over \$2,000 with only one authorized signature. The payments totaled \$37,779.
<i>Effect:</i>	The authority’s control is not operating effectively, increasing the risk of improper expenditures.

- Cause:* We could not readily determine why the authority failed to follow its control procedure.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2016.
- Recommendation:* The Tweed-New Haven Airport Authority should require dual signatures for all payments exceeding \$2,000, as mandated by its bylaws. (See Recommendation 3.)
- Agency Response:* “Upon being notified of this finding, procedures were implemented to ensure all payments exceeding \$2,000 are signed by two authorized signatories.”

Inconsistent Review of Airport Accounts

- Background:* AFCO AvPorts Management, LLC manages Tweed-New Haven Airport under a fee-based contract with the Tweed-New Haven Airport Authority. AvPorts employs and pays airport operating staff and accounts for the airport’s finances using three major accounts (i.e., the Tweed, Capital, and AvPort accounts).
- Criteria:* An independent review process is a key control over financial transactions.
- Condition:* The airport’s operating staff process charges to the Tweed and Capital accounts. They are employed by AvPort, but authorized by the Tweed-New Haven Airport Authority. However, AvPort processes and approves charges to the AvPORT account.
- Context:* Charges to the AvPort account for the fiscal years ended June 30, 2017, 2018 and 2019 were \$617,722, \$751,077, and \$2,382,200, respectively.
- Effect:* The authority is not exercising adequate oversight over the charges to the airport's AvPort account. This reduces the authority’s assurance that these charges are necessary and reasonable
- Cause:* The agreement between Tweed-New Haven Airport Authority and AFCO AvPorts Management, LLC describes the method for processing charges to Tweed’s AvPORT account.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Tweed-New Haven Airport Authority should improve oversight by independently reviewing transactions processed by AFCO AvPorts

Management, LLC, through the authority's AvPort account. (See Recommendation 4.)

Agency Response: "Upon being notified of this finding, a procedure was implemented to ensure the Executive Director reviews and approves, via signature, all expenditures submitted by AvPORTS for reimbursement."

Lack of Asset Control Management

Criteria: Chapter 267a of the General Statutes establishes a formal process for the adoption of procedures by the Tweed-New Haven Airport Authority. Section 15-120k specifies that the authority is required to adopt written asset control procedures.

The authority's board approved its asset control policy in July 2011. Under the policy, the authority must maintain property records, prepare inventory reports, perform annual physical inventories, and formally approve the disposition of assets.

Condition: The authority did not properly maintain its property records, prepare inventory reports, conduct physical inventories, or formally approve the disposition of assets during the audited period. We could not determine when the authority performed its last physical inventory.

Effect: The authority did not properly safeguard its assets, leaving them susceptible to loss or theft. It also did not meet its statutory obligation to adhere to procedures adopted under Chapter 267a, Section 15-120k of the General Statutes.

Cause: The authority did not implement the controls set forth in its asset control policy.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Tweed-New Haven Airport Authority should follow the procedures set forth in its asset control policy adopted under Section 15-120k of the General Statutes. (See Recommendation 5.)

Agency Response: "Upon being notified of this finding, the authority implemented a process to ensure it remains compliant with all written procedures for asset control and has since updated its asset tracking database."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Tweed-New Haven Airport Authority contained one recommendation, which has been restated with modifications during the current audit.

- The authority should require dual signatures for all payments exceeding \$2,000, as mandated by its bylaws. **This recommendation is being repeated. (See Recommendation 4.)**

Current Audit Recommendations:

- 1. The Tweed-New Haven Airport Authority should ensure that its board members serve in accordance with Section 15-120i(b) of the General Statutes.**

Comment:

Our review of the authority's board minutes and member appointment letters disclosed that 3 out of 15 board members served for more than the allowed two consecutive terms. In addition, we could not locate one board member's appointment letter.

- 2. The Tweed-New Haven Airport Authority should regularly review the airport's payroll registers prepared by AFCO AvPorts Management, LLC before payments are issued to employees.**

Comment:

AvPorts manages the airport's operating staff, and prepares and approves the airport's payroll. Labor costs are subject to budgetary provisions approved by the authority, but the authority does not independently review the payroll.

- 3. The Tweed-New Haven Airport Authority should require dual signatures for all payments exceeding \$2,000, as mandated by its bylaws.**

Comment:

The authority processed 7 payments over \$2,000 with only a single authorized signature. The payments totaled \$37,779.

- 4. The Tweed-New Haven Airport Authority should improve oversight by independently reviewing transactions processed by AFCO AvPorts Management, LLC, through the authority's AvPort account.**

Comment:

The airport's operating staff process charges to the Tweed and Capital accounts. They are employed by AvPort, but authorized by the Tweed-New Haven Airport Authority. The authority does not exercise sufficient oversight over the charges to the airport's AvPort account.

- 5. The Tweed-New Haven Airport Authority should follow the procedures set forth in its asset control policy adopted under Section 15-120k of the General Statutes.**

Comment:

The authority did not properly maintain its property records, prepare inventory reports, conduct physical inventories, or formally approve the disposition of assets during the audited period, as required by its asset control policy.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Tweed-New Haven Airport Authority during the course of our examination.

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

Marcin Baran
James Carroll



Marcin Baran
Associate Auditor

Approved:



John C. Geragosian
State Auditor