Authorities Budget Office
Review of Expenditure Practices
Monroe County Airport Authority

The Authorities Budget Office (ABO) is authorized by Section 6 of Title 2 of Public Authorities Law to review and analyze the operations, practices and reports of public authorities. This includes rendering conclusions and opinions regarding the performance of public authorities and to assist these authorities improve management practices and the procedures by which their activities and financial practices are disclosed to the public.

This report is a limited scope review of the expenditure and procurement practices of the Monroe County Airport Authority (Authority), including the level of oversight and review exercised by the Authority board of directors. The review covered 2008 to 2010. The focus of our review was limited to whether the Authority has implemented and follows appropriate policies and controls to ensure that its funds are spent only for airport-related expenses, that proper documentation exists to justify the payment of those expenses, and that adequate board and county oversight of Authority expenditures was practiced. As a customary part of our review, Authority officials were asked to represent, in writing, that they provided all requested information and disclosed all instances of significant irregularities and deficiencies. While Authority officials indicated that they provided all requested information, they did not provide written assurance that to the best of their knowledge known irregularities and deficiencies were disclosed.

Summary of Results

Board members have a fiduciary duty to ensure that the Authority operates efficiently and effectively, consistent with established policy, and that expenses incurred by the Authority are reasonable, justified, and appropriate. This report concludes that the board of directors of the Monroe County Airport Authority (Authority) has consistently fallen short of this duty and failed to act as an independent body. The Authority does not follow its own policies. The board does not effectively carry out its oversight role, defers management and policy decisions to Monroe County, and allows payments to be approved without adequate supporting documentation or proper review.

The board has shown a lack of independence and a willingness to be directed by the county's Aviation Department, which operates the airport. The board merely adopts the budget amount presented to it by the county, without any detail for the cost of managing and maintaining the airport. Moreover, the County Executive, as the appointing authority for the board, and the County Legislature, which approves those appointments, have not held directors to the standards of accountability expected of public board members. This has contributed to and perpetuated the ineffectiveness of the board.

We found that, in response to recent public criticism and following an internal county review, the Authority adopted revised credit card and business and travel policies. While these changes correct some of the deficiencies, additional improvements are needed to assure that Authority costs are reasonable, appropriate and in line with accepted guidelines pertaining to the expenditure of public funds. For example, even under the new policies travel requests can routinely be approved without determining whether the travel is reasonable or necessary. Travel costs may not be monitored to ensure they do not exceed the amount authorized. The policies do not address instances we found of questionable expenses for flowers, gifts and parties for employees, and charitable contributions to entities that are not directly related to the Authority's responsibilities. Finally, the Authority has also not addressed the need to improve and adhere to its procedures for selecting and contracting with consultants.

Based on these facts, it is the position of the Authorities Budget Office that the current board of the Monroe County Airport Authority should be replaced by the County Executive. We believe that the Authority would be best served by new leadership, one that will be more cognizant of its responsibilities and aggressive in performing its board duties, and implementing and enforcing those policies. It is also the position of this office that the Authority paid certain expenses incurred by the prior Aviation Director that were inappropriately charged to the Authority and that these costs, paid for with public funds, should be recovered.

Background

The Monroe County Airport Authority (Authority) was established in 1989 as a public benefit corporation pursuant to Title 31 of Public Authorities Law. The purpose of the Authority is to finance, develop and operate aviation facilities, promote safe and efficient air transportation, and stimulate economic development, trade and tourism in Monroe County (county). To fulfill its mission the Authority leases the Greater Rochester International Airport (airport) from the county, and contracts with the county to operate, maintain and administer the airport.

This financial relationship between the county and the Authority is outlined in a 1989 Lease and Operating Agreement. Per the agreement, the county is responsible for operating the airport and providing engineering, budgeting, financial, legal, and fire and protective services. The Authority reimburses the county for all expenses incurred in the administration and operation of the airport, including salaries and benefits, insurance, fuel and overhead costs. The Authority also has a $24,000 contract with the county for legal services associated with meeting governance and reporting requirements of Public Authorities Law. In addition, the Authority pays $150,000 annually for other legal and financial services provided by the county, but there is no written agreement governing this payment.

The Authority is governed by a seven member Board of Directors who are appointed by the County Executive and approved by the County Legislature. The Authority has no employees, but its by-laws stipulate that the County Attorney is to serve as Secretary to the board and the county's Chief Financial Officer is to serve as its Treasurer. The 101 staff who work at the airport are Monroe County Department of Aviation employees. The department's office is located at the airport. The daily operations are managed by the county's Director of Aviation, who has historically been appointed by the Board to also serve as the Authority's Administrative Director. The Aviation Director's primary reporting relationship is to the Deputy County Executive. For 2010, the Authority's budget exceeded $34 million.

County Aviation Department	$17.5 million
Debt Service	12.6 million
Capital Projects	3.0 million
Authority Expenditures	1.2 million
Total	$34.3 million

Three different funds have been established for airport-related activities. Costs associated with airport operations incurred by the Aviation Department are paid initially from the county's Airport Enterprise Fund. The county's Airport Capital Fund pays for capital improvement projects at the airport. The Authority Fund is used as a repository for airport related revenues, such as airline landing and rental fees, and used to pay for costs associated with the Authority, including reimbursement payments to the county in accordance with the 1989 agreement. Other Authority related costs include debt service payments, annual audits, and expenses incurred by the board of directors. Operating costs for the airport are generally paid out of the Enterprise Fund. However, recent practice has increasingly been to pay certain airport related costs directly from the Authority Fund. We noted that direct payments from the Authority Fund have increased from $688,000 in 2008 to more than $1.7 million in 2010.

We tested transactions made from the Enterprise Fund and generally found that they were appropriate for airport operations. However, we identified several transactions made from the Authority Fund that we believe are highly questionable. These transactions are discussed in greater detail later in this report.

Responsibilities of the Authority Board of Directors

The role and responsibilities of the boards of directors of state and local authorities, as stipulated in Section 2824 of Public Authorities Law, are quite specific. These include executing direct oversight of the authority's officers; understanding, reviewing and monitoring financial controls and operating decisions; establishing and enforcing policies governing the behavior of authority personnel, including travel and reimbursement policies; and performing their duties "in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like position would use under similar circumstances". In essence, board members have a fiduciary duty to ensure that the Authority operates efficiently and effectively, and that costs incurred, payments made on behalf of the Authority, or reimbursements to the county are reasonable, justified and appropriate. Yet, as detailed in this report, we found very little involvement by the board in reviewing the budget, and little oversight and monitoring by the board of the costs charged to the Authority by the county or charged to the Authority on Authority issued credit cards.

For example, a review of board meeting minutes for 2008 through 2010 indicates that the board generally met every other month, about six times annually. The typical regular meeting was between 30 and 45 minutes in duration. Although the audit and governance committees also meet periodically throughout the year (often preceding the regular board meeting) we question whether the board can effectively perform its duties, especially providing adequate financial oversight of a $34 million operation, when it meets in regular session for less than five hours annually. Based on the meeting minutes, any review and discussion of financial issues appears to be pro forma and superficial.

The Authority board plays no active role in the development of the airport budget, and appears to accept it in the manner and form given by the county with little discussion or debate. For example, the board is provided with a two page proposed budget, identifying debt service payments, capital expenses and contractual expenses. Yet the county costs for airport operations and maintenance are presented as a single line entry with no supporting detail. Such a practice is inconsistent with and contrary to the fiduciary duty principle which each board member swore to uphold, as it does not allow the board to understand, review and monitor financial and operating decisions.

Authority officials indicate that they believe the board exercises appropriate financial oversight. They indicate that the board reviews and approves the budget annually, that the budget includes an itemization of all projected spending for the year, and that it follows a multi-stage review process. This process consists of the recommended budget being presented to the audit committee, where a line by line comprehensive review is performed and specific questions are discussed. Once satisfied, the audit committee votes to present the budget to the entire board, where additional discussions take place prior to adoption. These officials indicate that the meeting minutes may not always reflect the depth of discussions that take place during a meeting.

While we recognize this likelihood, we believe that these minutes, as approved by the board, are accurate and comprehensive. Although we were unable to attend a board meeting as part of our review, and did not interview board members regarding the content and conduct of the board meetings, we question how the full board can regularly engage in a full and vigorous bi-monthly discussion of a multiple item agenda in a matter of minutes. For example, the audit committee was scheduled to meet September 15, 2010 in part to review the proposed 2011 budget. However, not all members were in attendance, not even a quorum was present. Therefore, the audit committee could not conduct any official business. In spite of this, the two members in attendance opted to conduct a meeting. These two board members took 30 minutes to discuss six items – one of which was the 2011 budget. The minutes relative to this budget discussion indicate only that the total amount of the budget was presented, that it is an increase of 2.5 percent from the prior year, that it is subject to change since the county budget had not yet been adopted, and that the largest increase is due to debt service payments for a recently completed capital project. There is no indication that the financial details of the airport operations were discussed. During the meeting of the full board immediately following the audit committee, these two board members indicated that they supported the adoption of all six issues that were discussed. The 2011 Operating Budget was approved by the five board members in attendance. Again, there is no indication of any discussion of the details of this budget or any questions raised by the board members.

Based on this review of the record, it appears that these meeting minutes do accurately represent the actions of the board, since other agenda items indicate discussions and comments that took place at the meeting. A review of the minutes of board meetings in other years indicated that the board's failure to discuss the budget in adequate detail was a common practice. Authority officials also contend that extensive discussions among individual board members and staff, related to financial and budget issues, take place outside of the formal board and committee meetings. While this interaction is a desirable and appropriate way for directors to become informed on the issues coming before the board, the official board meeting is where the public presentation of the facts, formal discussions, and the resulting decisions must occur.

Inappropriate Business and Credit Card Expenses

Inappropriate Credit Card Use

The Authority has two credit cards to be used only for business purposes of the Authority. While the cards were available for use by board members, one was used primarily by the Administrative Director and the second was issued to the County Executive.

We believe that the Authority's credit card should only be used by representatives of the Authority. The County Executive is not an Authority, employee or representative, and any business conducted by the County Executive can and should be a charge to the county Enterprise Fund.

The credit card policy in effect during the period of our review required the card holder to submit original receipts, unless the charge was less than $50, and to use the credit card only for Authority business purposes. The Assistant Treasurer of the Authority was responsible for ensuring that all receipts were submitted, and the Authority Treasurer was to ensure that the policy was followed. Yet, in spite of these policies, we determined that almost 40 percent of the $148,000 in credit card purchases from 2008 to 2010 were inappropriate. Our review concluded that the Authority paid credit card bills for cigars, alcohol, and charges that were submitted without adequate supporting documentation. The Authority board also failed to review and question the appropriateness of these charges.

In addition to the tobacco and alcohol purchases, we identified other inappropriate and questionable credit card charges that were paid without any apparent review or question.

- During 2008-10, more than $18,500 was charged to the Authority for food and drink at various restaurants in the Rochester area. Often these gatherings involved various county officials, board members, and Aviation Department employees. For example, on April 27, 2008 the Authority credit card was used to charge more than $1,000 at a local restaurant. The former Director of Aviation's expense reports indicated that this bill was for drinks with Authority board members. It is not reasonable to assume that these engagements were exclusively related to Authority business or could not have been held at the Authority's office at little or no cost. Nor is it appropriate that public funds be used to pay for alcoholic beverages.

- We found that more than $1,500 was charged to the Authority for gifts and flowers for employees and over $1,200 in Authority funds were spent on parties in honor of employees and recent retirees.

- It is customary for Authority mail to be postmarked and processed through the county mailroom, with the postage costs charged back to the Authority. We determined that over a three year period, the Authority charged $680 for stamps and metered postage (over 40 percent of the Authority's total postage expense) on its credit card, bypassing the county's mail room. We found that some of the postage was used to mail invitations and holiday cards. Furthermore, we could find no evidence that the Authority had adopted any inventory controls to assure that stamps or other postage were being used only for official business.

In response to public criticism, the county conducted an internal review of the Authority's credit card and travel policies. Following its investigation, the county wrote new travel and credit card policies for the Authority. The board adopted these proposed policies in January 2011. The new policies specifically exclude reimbursement for alcohol and tobacco products. The revised policies also require that documentation be provided for the expense that identifies the purpose of the travel and the names of those attending any meeting. The new policy also excludes meals with board members and county employees as allowable business expenses; places limits on the cost of ground transportation that can be reimbursed; limits mileage reimbursement to the Internal Revenue Service rate; and limits the allowable lodging costs to government rates. The revised policies stipulate that the board must review and approve all credit card statements, inappropriate or un-receipted expenses must be reimbursed by the employee, and require the Authority

Treasurer to report to the board on the use of the Authority's credit card. The board is to accept or reject this report, and is expected to enforce these policies. In addition, the board adopted a policy that requires all board members to attend annual training on Authority policies and ethics.

While these new policies should improve controls over the use of credit cards and the payment of business expenses, they do not address some of the problems uncovered by our review. For example, the new policies may not prevent charging or billing for gifts, flowers and various parties for employees as a business expense. The new policies also do not address excessive meal costs or what constitutes an appropriate reimbursable gratuity. Authority officials stated that they believe the requirement for the board to review and approve all credit card statements during the public board meeting will provide sufficient controls. However, we believe that improvements in the policies will better ensure that questionable credit card charges are avoided, and provide better guidance to staff as to what is deemed appropriate.

Excessive Meal Costs

The revised policies will not limit meal allowances. The federal government has established meal allowances for public employees in travel status. We compared the amount spent on meals to these federal allowances for all travel during 2008 through 2010. We found that the meal costs charged by Aviation Department employees were $14,214 above that which would have been permitted if the Authority followed the federal allowances. Moreover, some of these charges appear to be excessive and inappropriate. For example, on December 10, 2008 more than $1,500 was charged to the Authority for meals and entertainment at three different business establishments in New York City, well in excess of the $64 provided in the federal allowance. None of these costs were questioned by the Board.

Unauthorized Gratuities

County travel guidelines allow for employees to be reimbursed for gratuities of up to 15 percent. However, we found that this policy is not followed. We found that 98 percent of the gratuities left by Aviation Department employees exceeded the 15 percent threshold, resulting in $3,171 in payments beyond what is reimbursable under the guidelines. For example, on September 20, 2009 a gratuity of $40 (65 percent) was given on a $61.63 bill. These charges were paid without explanation. The Authority's new policy does not place any limit on the amount to be reimbursed for gratuities.

Unexplained and Undocumented Travel Costs

The Authority's prior policy for approving and paying travel costs followed the county's travel guidelines and travel request process. This policy allowed the Administrative Director to exercise his/her discretion and exceed travel expense limitations when necessary. When this occurs, the board does not review these additional expenses nor does the county require that more detailed receipts be submitted justifying the nature and reason for the added cost. This practice has led to abuses.

The county guidelines require that the county's travel service be used to purchase airfare and lodging in an effort to control costs. However, we found Aviation Department employees rarely use this travel service. The guidelines also establish a maximum amount for meal expenses incurred during travel, but we found that these limits are routinely exceeded by department employees. County officials indicated to us that the county policy did not apply to airport business, even though that business is conducted by county employees. We found no such exemption authorized in the county's policy. Moreover, we found no indication that the board reviewed the travel documentation submitted by department staff or that the county Finance Department questioned travel costs when receipts or documentation were missing or inadequate. As a result, the county routinely approved travel costs for the Director of Aviation that, at a minimum, exceeded authorized expenses and, at worse, were improper. There is no indication that a record of these expenses were ever shared with or reviewed by the Authority board.

County travel guidelines require all employees to prepare a travel authorization request form which shows the purpose of the travel, the travel destination, and the estimated travel costs. This form is to be approved by the appropriate county department head. In the case of the Director of Aviation, travel requests and travel costs are to be pre-approved by the Deputy County Executive.

We found that, in general, travel requests were pre-approved as a matter of routine. More importantly, neither the county nor the Authority did any post audit to determine if and why the actual costs submitted for payment exceeded the pre-approved travel costs. As a result, there are no assurances that travel costs incurred for airport operations were reasonable, defensible or necessary. In fact, the travel costs of the former Director of Aviation routinely exceeded the approved amount. These disparities were never justified or questioned, resulting in, we believe, additional, unnecessary and inappropriate charges.

March 25-26, 2008:
The former Director requested overnight travel to New York City to meet with an airline's representatives and federal officials. The Director submitted a travel authorization request for $670 (airfare, lodging and transportation.) Although both the airline and the federal offices are located near the airport in Queens, the Director stayed in a Manhattan hotel and spent most of his time in Manhattan. While his travel records do not specify where and when one or more meetings occurred, based on his itinerary it is likely that any meeting was held the afternoon of March 25. The total costs incurred for this travel exceeded $2,200, yet there was no explanation why the costs exceeded the estimate provided in the request, no indication that anyone questioned the need to stay overnight in Manhattan or why it was necessary to conduct Authority business in an adult entertainment establishment.

Date	Time	Amount	Description
3/25	Unknown	$219.00	Airfare to New York
3/25	Unknown	$94.76	Ground transportation
3/25	Unknown	$393.70	Lunch at restaurant in Manhattan
3/25	10:00 pm	$203.96	Purchase at a cigar establishment in Manhattan
3/25	Unknown	$635.00	Manhattan adult entertainment establishment.
3/26		$443.25	Charges at a hotel in Manhattan for lodging and meals
3/26	12:30 pm	$136.86	Lunch at a Manhattan restaurant
3/26	Unknown	$80.20	Ground transportation
		$2,206.73	Total cost of trip

June 16-18, 2008:
The former Director submitted a travel authorization request for travel to New York City for the purpose of "JFK/NYC business development". The travel request estimated the total costs to be $200 for airfare. It is unclear from the available records how this meeting was related to Authority business. The total costs incurred for this travel exceeded $2,600, including two charges for the same restaurant totaling more than $450, and multiple cigar purchases on the same day. The Director flew to NYC on the morning of June 16th, stayed two nights, and charged four meals without documenting when this "business development meeting" took place. Yet neither the Authority nor the county questioned any of his expenses.

Date	Time	Amount	Description
6/16	Unknown	$199.00	Airfare to New York
6/16	Unknown	$202.88	Purchase at a cigar establishment in Manhattan
6/16	2:40pm	$57.79	Lunch at restaurant in Flushing
6/16	Unknown	$120.00	Purchase at a cigar establishment in Manhattan
6/16	8:30 pm	$107.25	Dinner at a Manhattan restaurant
6/17	11:44am	$16.44	Ground transportation
6/17	Unknown	$213.10	Lunch at a Manhattan restaurant
6/17	Unknown	$243.72	2nd charge at the same Manhattan restaurant
6/17	4:50pm	$271.28	Dinner at a Manhattan restaurant
6/17	6:14pm	$14.28	Ground transportation
6/17	Unknown	$68.93	Purchase at a cigar establishment in Manhattan
6/18		$1,162.03	Charges at a hotel in Manhattan for lodging and meals
		$2,666.70	Total cost of trip

January 29-30, 2009:
The former Director requested travel to New York City for a New York Aviation Management Association (NYAMA) board meeting. We reviewed NYAMA board minutes for 2009 and could not confirm that a NYAMA board meeting was held on either date. The total costs incurred for this travel exceeded $900, and included over $200 in cigar purchases. It is unlikely that these were purchased as part of a marketing strategy directed at board members. No one questioned these charges.

Date	Time	Amount	Description
1/29	9:26 am	$139.20	Airfare to New York (arrival time)
1/29	10:29am	$127.29	Purchase at a cigar establishment in Manhattan
1/29	12:40pm	$34.87	Lunch at a Manhattan restaurant
1/29	9:07pm	$119.95	Dinner at a Manhattan restaurant
1/29	Unknown	$16.50	Ground Transportation
1/30	9:29am	$89.86	Purchase at a cigar establishment in Manhattan
1/30	11:47am	$37.01	Breakfast at the Manhattan hotel
1/30		$221.18	Charges at a hotel in Manhattan for lodging
1/30	Unknown	$190.00	Ground Transportation
1/30	12:43pm	$15.16	Lunch at JFK Airport
1/30	1:25pm		Return flight to Rochester
		$991.02	Total cost of trip

December 9-10, 2009:
The former Director submitted a travel authorization request to meet with an architectural firm in New York City. The Director was accompanied by the Authority's Marketing and Public Relations Assistant. The firm was not under contract to the Authority and the total costs incurred for this travel exceeded $1,900. The flight arrived early in the morning, yet without explanation the flight back was not until the following afternoon. Once again, the Director purchased cigars which, if given to the firm's representatives, would have been inappropriate since the firm could be a potential bidder on a future Authority procurement. In addition, no one questioned why it was necessary for the Marketing and Public Relations Assistant to attend the meeting or the need to stay overnight.

Date	Time	Amount	Description
12/9	8:49am	$368.40	Airfare to New York (arrival time)
12/9	1:12pm	$173.27	Purchase at a cigar establishment in Manhattan
12/9	4:55pm	$14.88	Ground Transportation
12/9	6:06pm	$11.04	Ground Transportation
12/9	Unknown	$586.65	Dinner at a Manhattan restaurant
12/9	8:55pm	$13.32	Ground Transportation
12/9		$765.78	Charges at a hotel in Manhattan for lodging and meals
12/10	9:06 am	$6.90	Breakfast at airport
12/10	9:13 am	$12.44	Breakfast at airport
12/10	1:32pm		Return flight to Rochester
		$1,952.68	Total cost of trip

July 22-23, 2010:

The former Director and the Marketing and Public Relations Assistant requested travel to Boston to meet with its legal consultants for aviation issues. There was no justification provided as to why the Marketing and Public Relations Assistant needed to attend this meeting. The total costs for this trip exceeded $2,000. Given the frequency of flights between Rochester and Boston it is questionable why it was necessary to fly the day before and what business was conducted between 3:00pm and 11:30pm on July 22nd. Again, these charges were paid without anyone asking for proper documentation or justification.

Date	Time	Amount	Justification
7/22	3:10pm	$740.80	Airfare to Boston (arrival time)
7/22	4:15pm	$68.50	Ground transportation
7/22	9:34pm	$407.32	Dinner
7/22	11:37pm	$270.18	Purchase at a cigar establishment
7/23		$540.70	Charges at hotel for lodging and meals
7/23	3:00pm	$58.50	Ground Transportation
7/23	4:57pm		Return flight to Rochester
		$2,086.00	Total cost of trip

Improvement in Procurement Practices

The Authority's procurement policy states that all goods and services must be procured in the same manner as followed by the county. The county procurement policy stipulates that, in those situations where competitive bidding does not apply, three competitive quotes must be obtained if the value of the goods or services is over $1,000. We examined 120 payments for goods or services made from the county's Enterprise Fund or the Authority Fund to determine if the items purchased were airport related, and whether they were purchased in compliance with the procurement policy. We found that purchases were generally related to the operation and administration of the airport and that the methods by which those purchases were made generally followed the provisions of the county's policy. However, for four of the 31 procurements that exceeded $1,000, quotes were not obtained, and county officials indicated that quotes were not required because they were professional services contracts. Although the county procurement policy does have different requirements for professional services contracts, we believe that obtaining quotes for comparison would be beneficial to the Authority, when the services sought lend themselves to competitive selection.

The Authority's procurement policy requires that the board authorize all purchases and contracts for goods and services, including professional service agreements, where the annual cost exceeds $5,000. During the three year period we reviewed, 47 of 112 vendors received payments in excess of $5,000. Yet, over half of these 47 vendors received payments not authorized by the board. County officials indicated that board approval for many of these payments is implicit in its approval of the annual budget. However, we do not believe that the adoption of an annual budget serves as appropriate authorization or scrutiny of a proposed procurement.

Overpayments for Professional Service Contracts

We reviewed payments made between 2008 and 2010 for five professional services contracts. We found that the Authority over paid a total of $12,180 for these contracts, and that payment was made to three of the contractors even though sufficient detail was not provided to support the payment.

For example, the Authority's contract for internal audit services stipulates that payments were not to exceed $75,000 per year. Yet, for 2009 the Authority paid its internal auditor $82,180, or $7,180 above the amount authorized in the contract. In addition, the internal audit contract called for payments to be based on actual hours worked at a specific rate, depending on the nature of the work performed. We found that the invoices submitted by the contractor identified the number of hours spent conducting internal audit services, but also billed for specialized services that were not detailed or itemized, as required by the contract. As a result, the Authority was unable to validate the appropriateness of the amount submitted for payment, but still paid the amount billed. Authority officials indicated that the work performed by the internal audit consultant was performed under the supervision of the Airport Deputy Director, and as such, there was material knowledge of the appropriateness of all billings. While this work may have been done under the supervision of the Deputy Director, the invoices did not adequately describe the services provided, as required by the contract. Further, the Deputy Director was unable to explain to us the specific work done by the contractor to support the amount billed and paid.

The Authority also has an agreement that the county will provide legal services to the board related to governance issues at a fixed fee of $24,000 per year, payable quarterly. However, we found that the Authority paid the county $26,000 in 2009, due to a duplicate payment for March. Authority officials indicated that the excess payment was due to a bookkeeping error, and has been corrected. The Authority also has a contract with an outside counsel for aviation related legal services. We reviewed the payments made to outside legal counsel and found that in 2009 the Authority paid approximately $3,800 more than the $20,000 authorized by the board. It appears that this additional payment was made without the board's knowledge or approval. County officials indicated that this payment was authorized under a separate contract with the counsel that fell within the Administrative Director's $5,000 purchasing authority. Yet, the board meeting at which the contract was approved makes no mention of any existing contract with this company. The board resolution specifically limits the cost of an outside legal services contract to $20,000, including expenses. The fact that an existing contract was not brought to the attention of the board at the time the resolution was discussed and adopted is a communication failure that circumvented the controls in place related to board oversight and approval.

Weaknesses in the RFQ Evaluation Process

The Authority's procurement policy was adopted in August 2006. Professional services contracts do not have to be awarded to the lowest responsible bidder. Instead, the Authority can issue requests for qualifications (RFQ) for professional service contracts and select the contractor that offers the best value to the Authority. This policy defines best value as the optimal overall quality, cost, and effectiveness of the responsive and responsible bidders.

We reviewed the professional services contracts for internal audit, lobbying, and legal services. Each RFQ identified the evaluation criteria that would be used; however two proposals did not identify how the criteria would be weighted as part of the selection and scoring process. In addition, the actual evaluation process did not appear to follow the selection criteria specified in the proposals. For example, the RFQs for internal audit services and legal services identified the four evaluation criteria that would be scored. However; the selection panel considered four additional criteria during the evaluation process. While the RFQ for lobbying services identified 14 criteria that would be used to evaluate proposals, only ten criteria were actually considered when the proposals were scored

We also identified instances where the scores awarded to proposals did not correspond to the information provided by the bidder. For example, one internal audit services proposal indicated the firm had extensive aviation experience, listing six airports and 20 aviation companies as clients. The qualifications of a second bidder indicated eight years of membership in a professional organization and work experience with only a single airport. When these two proposals were scored, the evaluation panel awarded 15 points to the first firm and 75 points to the second firm.

For the legal services contract the RFQ indicated that the most significant evaluation criteria was the experience of the key personnel to be assigned to the engagement. Based on our review, it appears that the qualifications of key personnel were comparable across bidders, with relevant experience ranging from 22 to 35 years – yet the scores assigned to each proposal bore little relation to the relative experience of the staff. Further, the rates submitted for key personnel ranged from $270 to $500 per hour. Yet, when evaluating the proposals, the most points for the cost component were awarded to the proposal with the higher billing rate, the opposite of what would be expected.

The Authority board felt it was necessary to procure the services of a lobbyist to represent its interests in Washington D.C., and to secure additional federal funding. Two of the firms that submitted proposals were experienced firms located in or near Washington D.C. Yet, the Authority selected an individual who was based in Rochester and had lobbying contracts with other Monroe County agencies. It appears that the sole determining factor in selecting this individual was his Rochester-based location and relationships, although neither was identified in the RFQ as relevant selection criteria.

This report makes no judgment as to the motives of the Authority in selecting any of these contractors. The fact that the Authority failed to adhere to its own evaluation and selection criteria does raise the suspicion that factors other than best value and qualifications were used to award contracts. Such a failure to follow procedures only serves to undermine the integrity of the selection process and the credibility of the Authority. Authority officials responded that in addition to the written documentation provided to and reviewed by the ABO, other elements, such as presentations, interviews, and prior experience factored into the final selection. We believe that the failure to document and include these elements as part of the selection process further undermines its integrity and credibility.

Ineffective Controls over the Use of Mobile Phones

The Aviation Department provides mobile phones to certain staff so they are accessible during work and non-work hours. The Department has purchased 45 mobile phones with service plans costing about $27,000 per year. The Department provides 40 phones to its employees, two are provided to county Legal Department employees, two are used by consultants, and one is used by a former employee who is now retired. We do not believe it is appropriate for phones to be provided to the five individuals who are not Department of Aviation employees. County officials indicated that the service contracts for the two phones used by legal staff were transferred to the Legal Department in January 2011. The Aviation Department has not retrieved the phone from the employee who retired in December 2010, and the two consultants continue to use Department issued mobile phones. Authority officials indicate that in instances when non-airport personnel are provided with a mobile phone, it is done so in the belief that this improves the effectiveness of airport operations.

The county has two policies governing the use of mobile phones by employees; one policy is for the department's six management and professional employees (M&Ps) and a separate policy covers the other employees. The M&P's policy does not prohibit the personal use of mobile phones. M&P employees reimburse the county up to $246 annually through payroll deduction in order to use the phone for personal use. The policy for the 34 other employees states that mobile phones should be used for business and emergency use only, personal calls should be kept to a minimum, and an employee must reimburse the county for any additional monthly charges resulting from making or receiving personal calls. The mobile phone contract allows for minutes to be pooled, so there are always sufficient minutes available to avoid additional monthly charges to employees who use a phone for personal business.

Our review found weaknesses in the controls governing mobile phone usage. Each county department is to monitor mobile phone usage and costs and establish a mechanism for reviewing bills for personal calls and obtaining reimbursement. However, we found the Aviation Department does not receive monthly phone records for six of the 34 mobile phones assigned to non M&P individuals, and is unable to monitor personal usage of those phones. In addition, we reviewed the July 2010 mobile phone usage report to determine how often the mobile phones were used during non-work hours for calls to exchanges other than those assigned to the county or the Authority. For four employees, the off hours business use was minimal, less than four percent of total usage. Further, we found that more than 60 percent of the calls made by three of these employees appear to be non-work related.

Improper Sponsorship of Events

We identified approximately $50,000 that was spent by the Authority during the three year period to sponsor events that were unrelated to the mission or operation of the airport. For example, the Authority has annually allowed a not-for-profit group to hold a fundraising event on the airport runways. This group provides services to people with developmental disabilities. In 2008 and 2009, the Authority made contributions totaling $2,773 which were used by the organization to offset the costs of the event. This not-for-profit organization may be supporting a worthwhile and important cause. Moreover, we make no judgment whether the airport and its runways is an appropriate venue for a fundraising event for such a cause. Our finding is that the Authority's financial contributions were inappropriate, based on a 2007 opinion issued by the State Attorney General (2007-F-4). This opinion indicates that a public authority may not make a charitable contribution that does not directly further one of the authority's powers, duties or purposes. Authority officials indicate that this event brings hundreds of people to the airport and provides the public with an opportunity to view aircraft displays and equipment used at the airport. They also indicate that the Authority was required to obtain Federal Aviation Administration approval to use the airport for this event, and that such approval would not be granted if the event was not aviation related. However, we do not believe that federal approval to hold the event is an endorsement that the Authority's charitable contribution is an appropriate mission-related expense.

In 2009 the Authority spent over $17,000 to sponsor an air show held at a county beach, located about 15 miles from the airport. The Authority entered into a contract that called for the promoter to pay all costs associated with managing and producing the air show, with the exception of county overtime costs. Yet, our review concluded that the Authority incurred additional costs that were not reimbursed by the promoter. Based on available information, it appears that the air show brought in significant revenues. The Authority did not share in these revenues or recover its costs. Instead, it appears that the promoter profited substantially from the Authority's sponsorship. Authority officials indicated that there are substantial benefits received from this sponsorship, including promoting aviation in the region and stimulating the local economy. However, this response does not address the fact that the Authority spent over $17,000 on this event in 2009, although its contract with the promoter specifies that the promoter will pay all costs except county overtime costs.

The Authority is also a participating sponsor of a professional golf tournament each year. During tournament week, the Authority provides free use of three of its shuttle buses and drivers. In return, the tournament was to provide four spots in the professional-amateur portion of the tournament, 48 seats in the Corporate Villa, advertising and a live interview during the tournament's webcast. The face value of the advertising and seating to be provided to the Authority is over $26,000, and the face value of the playing spots is over $12,000. While the county had no upfront financial commitment, it appears that most of this benefit was realized by the county rather than the Authority. The County Executive controlled participation in the pro-am, and Monroe County was the beneficiary of the majority of free advertising. In return, the benefit realized by the Authority was equivalent to a $1,300 one-half page advertisement in the program. Authority officials indicate that the use of the airport shuttle buses for this event serves to promote the airport and the use of its parking and shuttle bus services. While we do not disagree, it is clear from the documents provided to us that the intention of providing the shuttle buses is not to promote the airport. Rather the buses were provided in exchange for benefits to be enjoyed by airport and county staff and invited guests.

Recommendations to Improve Financial Oversight and Board Governance

1. New leadership should be appointed to replace the current board of directors. The history of the current board suggests it is not capable of enforcing the new policies it recently adopted, or taking a strong position against approving payment of questionable expenditures.

2. The board of directors must acknowledge its fiduciary duty, protect the assets of the Authority, and commit to act with independence and in the financial interests of the Authority.

3. The use of Authority issued credit cards should be restricted to Authority officials and only used for necessary Authority business purposes.

4. The board should revise and adhere to policies that prohibit payment for such non-business related expenditures as gifts, flowers, charitable contributions and parties in honor of employees or retirees.

5. The board should establish and adhere to a policy that routine postage be processed through the county's mail room. Exceptions to this policy should require additional review and approval.

6. The board should revise its travel policy to limit meal and lodging reimbursement to federal or state approved allowances. The policy that prohibits payment of gratuities in excess of 15 percent should also be enforced.

7. Credit card and travel charges should be subject to more stringent review. The Authority and Monroe County should not approve payment for any charges that cannot be fully documented and substantiated. Given the lack of effective oversight exhibited in the past, employees should be required to provide specific details of the date, time, place and purpose of all out of town meetings and the names of individuals with whom employees met.

8. To the extent that an employee realized some value in exchange for charges paid with the credit card, the Authority should seek to recover those costs. It is important that the Authority make clear that public funds will not be used to pay for expenses not directly related to advancing the mission of the Authority.

9. The board should ensure that airport related travel is reasonable and necessary, and justification for travel expenses beyond those authorized should be documented.

10. The board must ensure that it authorizes payments for goods or services valued at $5,000 or more, per its procurement policy.

11. The board should ensure that all payments for professional services are based on adequate supporting documentation and in accordance with contractual terms.

12. When issuing requests for qualifications (RFQs), the Authority should clearly inform all bidders of the criteria that will be used to evaluate proposals, and ensure that the evaluation panel scores only these criteria when making its selection.

13. The Authority should discontinue paying for mobile phones assigned to non-airport staff and reassess whether individual assignment of mobile phones is warranted.

14. The Authority should re-assess its sponsorship agreements and terminate those that do not directly and positively support its public purpose and mission. The cost benefit to the Authority must be clear and convincing.